Academic and Political Support for Alternative Monetary Systems

by

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Holistic Alliance for Real Ecology (HARE)

Sovereign Money

The New Chartist Movement (NCM) is campaigning for the reintroduction of the ‘Bradbury Pound’ in the United Kingdom. The Bradbury Pound is one of several alternative forms of money creation known variously as *sovereign national credit* or *sovereign money*, *safe*, *sound* or *stable money*, *plain money*[1], *pure money*[2], *chartal money*[3], *state money*[4], *public money*[5] and, specifically in the United States, *US money*[6].

In essence, the approach deals with central government budget deficits by funding the public sector borrowing requirement with debt-free, interest-free new money issued by HM Treasury and backed by the wealth and labour potential of the country rather than the present approach of selling interest-bearing bonds to banks and other institutional investors. The technical term for the proposed approach is ‘M0 at 100%’ and it generally implies the removal of commercial banks’ present ability to create new money when issuing loans—hence the money supply emanates only from a State-owned source such as the Treasury.

NCM claims there are a number of successful historical precedents for this approach, including:

- the Bradbury Pound issued in 1914 by the British Government;
- the Guernsey Pound issued after the Napoleonic Wars by the Government of the Channel Island State of Guernsey;
- the so-called ‘Colonial Scrip’ used in the British colonies in North America until 1764;
- the dollar bills issued by the Canadian government up until 1973;
- US President Abraham Lincoln‘s debt-free ‘greenback’ Treasury Notes issued in 1862;
- …

Figure 1. The Bradbury Pound

NCM cites these historical precedents as evidence that the approach has worked in the past, and whilst this may suffice to convince the lay person that it could work again in the 21st Century, the present author contends that in order for the proposal to gain traction in academic and economic circles, it will be necessary for the Movement to produce further evidence in the form of formal mathematical models, backed by support from credible academics and economic experts. Political

[1] J. Huber/J. Robertson
[2] R. Striner
[3] Derived from chartalism
[4] R. Werner
[5] K. Yamaguchi, M. Mellor
[6] S. Zarlenga

support would also be required to advance the cause. This document aims to identify academic publications about this topic and individuals in the academic and political spheres who might be prepared to lend their support to this endeavour.

Related Systems

Public Banking

Online references:

- https://www.publicbankinginstitute.org/

Public banking refers to banks which are owned by government at a local, regional or national level and run for the benefit of local government, communities, businesses, residents and so on. Proponents claim this leads to lower interest rates and increased local money supply, because profits return to the communities they serve rather than leaving the area to further enrich wealthy, remote shareholders.

The governments of Germany and China own significant proportions of their banking industry, which makes it possible to create debt-free money.

There are various initiatives around the world to set up local, community-owned banks, for example the Hampshire Community Bank.

Local and Regional Currencies

Online references:

- https://en.wikipedia.org/wiki/Local_currency

Various towns and cities have piloted *local currency*, issued and spendable locally. Local traders and businesses join the scheme by agreeing to accept payment in the local currency. Examples, of which there are many, include:

- The Lewes Pound in Lewes, Sussex, UK
- The Bristol Pound in Bristol, UK
- The Wörgl Shilling in Wörgl, Austria

Irving Fisher, an economics professor at Yale University, spread the word about the Wörgl Shilling around the US, and by 1934 over 1,000 local communities were using 'scrip' throughout the USA. President Franklin D. Roosevelt shut all the scrip systems down and instead used large loans to pay for the 'New Deal'.

Social Credit

Online references:

- https://www.michaeljournal.org/articles/social-credit
- https://en.wikipedia.org/wiki/Social_credit

Social credit seems to be a means of sharing purchasing power and balancing costs of production against purchasing power by treating citizens as shareholders in the nation's wealth and productivity, through the issuance by Government of debt-free money as dividends and retail price subsidies.

Positive Money

Online references:

- https://positivemoney.org/

Positive Money's vision is for a money and banking system that enables a fair, democratic, and sustainable economy. They have published a number of videos and documents, which explore the topic of sovereign money, including implementation and transitional details.

The New Chartist Movement reached out to the Positive Money team but found them unaware of, and apparently unwilling to learn about, the undemocratic influence of the unaccountable and privately-owned *Bank for International Settlements*. They seem to endorse the 'green new deal', Agenda 2030 Sustainable Development Goals, the Great Reset and the climate change narrative but do not seem to understand the deep geopolitical agenda driving these things. Nevertheless, their published literature makes powerful arguments in favour of sovereign money.

The UK Column has also published an article highly critical of Positive Money.

Modern Monetary Theory

Online references:

- https://en.wikipedia.org/wiki/Modern_Monetary_Theory

Modern Monetary Theory (MMT) advocates argue that the government should use fiscal policy to achieve full employment, creating new money to fund government purchases. According to advocates, the primary risk once the economy reaches full employment is inflation, which can be addressed by raising taxes and issuing bonds to remove excess money from the system. MMT is controversial, with active debate about its theoretical usefulness, and the effectiveness and risks of its policy prescriptions.

Academics and Economists

The following paragraphs provide brief biographies for several such individuals and their published work, copied from various online sources as listed.

Professor Richard A. Werner

Online references:

- https://professorwerner.org/
- https://en.wikipedia.org/wiki/Richard_Werner
- https://www.linkedin.com/in/richard-a-werner-5359ba9/

E-mail: richard.werner@linacre.ox.ac.uk

Twitter: @scientificecon

Professor Richard A. Werner, born in Germany in 1967, holds a First-Class Honours B.Sc. in Economics from the London School of Economics and a doctorate in Economics from the University of Oxford. He has also studied at the University of Tokyo.

Richard is a Member of Linacre College, Oxford, and is a university professor in banking and finance. He is also a founding chair of Local First, a community interest company establishing not-for-profit community banks in the UK (including the Hampshire Community Bank). His recommended charity is the Association for Research on Banking and the Economy (www.arbe.org.uk).

Until February 2019, Richard was for many years a member of the ECB Shadow Council. In 2008 he founded, and has been director of the Centre for Banking, Finance and Sustainable Development – the first research centre to focus on the link between the financial sector and sustainability issues. Between 2009 and 2012 for five semesters he was a full-time professor of monetary, macro and development economics (W3) at Goethe-University Frankfurt. Until July 2018 he was Professor of International Banking at the University of Southampton (having joined in April 2004). From 1997 to

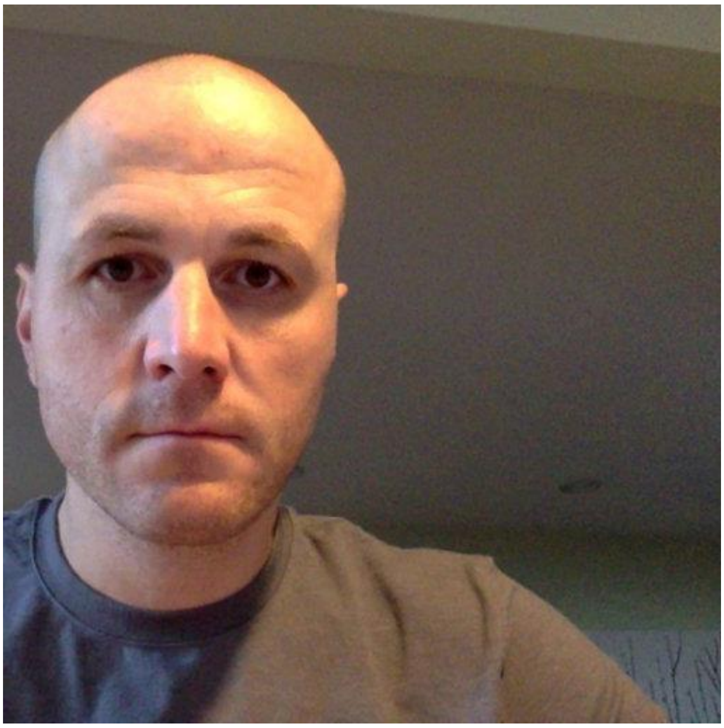
2004 he was assistant professor in economics and finance at Sophia University, Tokyo (one of Japan's top three private universities). He has also taught development finance and sustainability at Moscow State University, as well as a range of economics, banking and finance courses at a number of other universities.

His work experience includes over four years as highly-rated chief economist at Jardine Fleming Securities (Asia) Ltd., a stint as Senior Managing Director at Bear Stearns Asset Management Ltd., many years managing global macro funds, several years as senior consultant to the Asian Development Bank and periods as visiting scholar and visiting researcher at the Japanese Ministry of Finance and the Bank of Japan, respectively. He was also the first Shimomura Fellow at the Development Bank of Japan.

In 1992, while European Commission Fellow at Oxford University's Institute for Economics and Statistics, Richard proposed the disaggregation of credit and its impact on asset markets and growth with his 'Quantity Theory of Credit' (see here). In 1995, he advanced the concept of 'quantitative easing' in Japan (defined as an expansion in credit creation, published in the leading daily newspaper, the Nikkei, on 2 September 1995). His book 'Princes of the Yen' was a No. 1 bestseller in Japan, beating Harry Potter for six weeks. In its English edition of 2003, he warned of the coming creation of credit bubbles and banking crises in the eurozone. So did his 2005 book 'New Paradigm in Macroeconomics' (Palgrave Macmillan). **In 2014, Richard published the first empirical proof of the fact that banks create money when they grant loans.** The World Economic Forum, Davos, selected him as "Global Leader for Tomorrow" in 2003.

Professor Werner is (2022) actively involved in setting up the Hampshire Community Bank based in Winchester, a not-for-profit community bank dedicated to working for the benefit of the local community.

Jaromír Beneš



Online references:

- https://www.linkedin.com/in/jaromir-benes-74607036/

- https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=547404
- https://www.researchgate.net/profile/Jaromir_Benes3

E-mail: jbenes@imf.org

Jaromír Beneš is presently (January 2020) a project manager at the International Monetary Fund ('IMF'), for whom he has worked since November 2008, where his speciality has been monetary and macrofinancial / macroprudential policy modelling. Prior to that he was a research advisor at the Reserve Bank of New Zealand. He holds an MSc in Macroeconomics from Masaryk University of Brno in the Czeck Republic.

Whilst at the IMF, Jaromír Beneš co-authored a significant working paper with Michael Kumhof, entitled "The Chicago Plan Revisited" (see below).

Michael Kumhof

Online references:

- https://en.wikipedia.org/wiki/Michael_Kumhof
- https://www.bankofengland.co.uk/research/Researchers/michael-kumhof
- https://michaelkumhof.weebly.com/vitae.html

E-mail: michael.kumhof@bankofengland.co.uk

Michael Kumhof (born 15 October 1962) is a German researcher and economist. He is the senior research advisor in the Bank of England's research hub. He is responsible for co-leading this new unit, and for helping to formulate and carry out key parts of its research agenda. He is most known for his research into the financial system, income inequalities and the oil supply. His main research interests are the quantitative evaluation of monetary reform proposals, modelling the role of banks in the macro-economy, the role of economic inequality in causing imbalances and crises, and the macroeconomic effects of fossil fuel depletion.

Michael taught economics at Stanford University from 1998 to 2004. He worked in corporate banking for Barclays Bank from 1988 to 1993. His work has been published by AER, JME, AEJ Macro, JIE, JEDC, JMCB, EER, and Journal of Macroeconomics, among others.

In his previous work at the IMF, he was responsible for developing the International Monetary Fund's Global Integrated Monetary and Fiscal Model (a Dynamic Stochastic General Equilibrium model). The model is used for IMF policy and scenario analyses in multilateral and bilateral surveillance, for the World Economic Outlook, and for G20 work. It is also used by several central banks.

As a researcher, one of Kumhof's most noticed publications is probably the IMF working paper The Chicago Plan Revisited, in which he and co-author Jaromír Beneš use modern tools to analyse the Chicago Plan, a collection of banking reforms suggested by University of Chicago economists in the wake of the Great Depression. It has been called IMF's epic plan to conjure away debt and dethrone bankers.

Other noticeable publications are: the IMF working paper "Inequality, Leverage and Crises: The Case of Endogenous Default", in which the authors Kumhof et al. studies how crises can arise as a result of increasing income inequalities;

And the IMF working paper "The Future of Oil: Geology versus Technology", in which the authors present a new model for forecasting oil prices and oil output, based on both the geological and technological view, and it performs far better than existing empirical models, one of the more important conclusions is that they predict a near doubling of oil prices in the next decade. Ignoring the peak oil issue would be "highly unscientific, even irresponsible", says Michael Kumhof.

In February 2016 Kumhof was added to the editorial board of Ledger, the first peer-reviewed academic journal dedicated to cryptocurrency and blockchain technology research. The journal covers aspects of mathematics, computer science, engineering, law, economics and philosophy that relates to cryptocurrencies such as bitcoin.

Zoltan Jakab

Online references:

- https://blogs.imf.org/bloggers/zoltan-jakab/

Zoltan Jakab is an economist in the IMF's Research Department. He joined the IMF in 2010 and worked in the Economic Modelling Division in the Research Department. Prior to his current assignment he was the Director for Macroeconomic Analysis at the Office of the Fiscal Council in Hungary and Principal Economist at the Central Bank of Hungary. His research covers a variety of topics, including general equilibrium modelling, open economy macroeconomics, labour economics, monetary macroeconomics. He holds a Ph.D. from the Central European University of Budapest, Hungary.

Professor Joseph Rogers Hollingsworth

Online references:

- https://en.wikipedia.org/wiki/J._Rogers_Hollingsworth
- https://hollingsworth.wiscweb.wisc.edu/

E-mail: hollingsjr@aol.com

Joseph Rogers Hollingsworth (1932–23 Oct. 2019) was an American historian and sociologist and emeritus professor of history and sociology at the University of Wisconsin, known for his work on the governance of capitalist economies, especially the American economy.

Hollingsworth obtained his MA at Emory University, and in 1960 his PhD in history at the University of Chicago.

After his graduation he started his academic career at the University of Chicago and the University of Illinois. In 1964 he moved to the University of Wisconsin in Madison, where he was appointed associate professor of history with tenure, full professor of history in 1969, and professor of sociology in 1985. He was visiting scholar at St. John's College, Cambridge; Trinity College, Cambridge; and at the Institute for Nonlinear Science at the University of California, San Diego. At the Swedish Collegium for Advanced Study in the Social Sciences he was Torgny Segerstedt Chair. On June 2, 1995 he received an honorary doctorate from the Faculty of Humanities at Uppsala University, Sweden. He was appointed fellow at the American Philosophical Society, the Netherlands Institute for Advanced Study, and at the Austrian Academy of Sciences.

Hollingsworth's later research interests were described as "an attempt to explain the reasons for variation among countries, over time, and in different research organizations in the rate at which major discoveries in biomedical science occur. He is also engaged in a cross-national and historical research project that examines why countries varied in their capacity to be innovative in science-based industries during the twentieth century."

Professor Hollingsworth’s work provided the academic basis upon which Rodney Shakespeare's Binary Economics (see below) is based.

Rodney Shakespeare

Online references:

- https://www.binaryeconomics.net/wordpress/introduction/author/

E-mail: rodney.shakespeare1@btopenworld.com

Rodney was Visiting Professor of Binary Economics at Trisakti University, Jakarta where he taught on the international postgraduate Islamic Economics and Finance program. As a completely new paradigm, binary economics could not be understood (and thus taught) in the UK.

Rodney is a Cambridge MA, a qualified UK Barrister, and a well-known paper presenter and lecturer particularly at conferences dealing with money, the real economy, and social and economic justice. He is a co-founder of the Global Justice Movement www.globaljusticemovement.net and the author of www.binaryeconomics.net. In 2000 he received the (Martin Luther) King-Kelso Award. He broadcasts with various TV and radio stations.

Rodney’s first book on binary economics *The Two-factor Nation* was published in 1976. He is co-author (with Robert Ashford) of the standard textbook on binary economics *Binary Economics—the new paradigm* (1999).

Rodney is co-author (with Peter Challen) of the subsequent text *Seven Steps to Justice* (2002) which further develops binary economics, and is also author of *The Modern Universal Paradigm* (July, 2007) containing later developments in particular relating to paradigmatic understanding and the appeal of binary economics to people of faith and of good faith.

He is Chair of the Committee Against Torture in Bahrain.

Robert Ashford

Online references:

- https://en.wikipedia.org/wiki/Robert_Ashford
- http://law.syr.edu/profile/robert-ashford1

Robert Ashford is a Professor of Law at Syracuse University, College of Law, where he teaches or has taught courses in Business Associations, Business Planning, Corporate Finance, Public Corporations, Professional Responsibility, Secured Transactions, and Securities Regulation, and a seminar in Inclusive Capitalism, Property Rights, and Binary Economics. He holds a J.D. with honours from Harvard Law School, and a B.A. with majors in physics and English literature, graduating first in his class at the University of South Florida. He was a Woodrow Wilson Fellow at Stanford University. He is a leading authority in inclusive capitalism, binary economics, and socio-economics.

Ashford is the founder and principal organizer of the Section on Socio-Economics of the Association of American Law Schools and the Society of Socio-Economists. He is a member of the American Law Institute, the Athens Institute for Education and Research, and the academic honour societies of Phi Kappa Phi and Sigma Pi Sigma (physics). He has served on the Editorial Board of the Journal of Socio-Economics, the Executive Council of the Society for the Advancement of Socio-Economics, the Board of Advisors of the Syracuse University College of Law, and the Board of Directors of the Bar Association of San Francisco.

Ashford has authored and co-authored books, articles, book chapters and monographs on various subjects including **banking, binary economics**, evidence, implied liability under federal law, economics and democracy, the history of economic thought, inclusive capitalism, professional responsibility, public utility regulation, socio-economics, securities regulation, and tax law. His scholarship has been cited by state and federal courts, including the United States Supreme Court.

He has lectured at universities and conferences in Australia, Canada, France, Greece, Italy, Indonesia, Switzerland, the United Kingdom, and throughout the US. His biography is included in Marquis Who's Who in successive editions beginning in 2015.

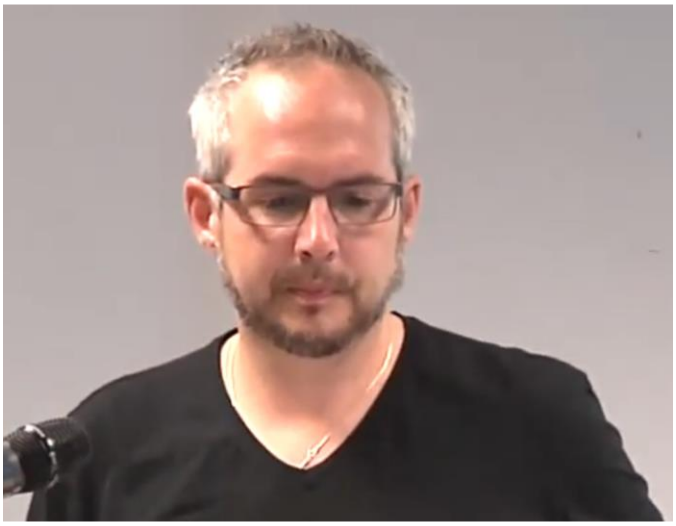
Ellen Brown

Online References

- https://ellenbrown.com/
- https://en.wikipedia.org/wiki/Ellen_Brown
- https://www.publicbankinginstitute.org/

Ellen Hodgson Brown (born September 15, 1945) is an American author, attorney, public speaker, and advocate of alternative medicine and financial reform, most prominently public banking. Brown is the founder and president of the Public Banking Institute, a nonpartisan think tank devoted to the creation of publicly run banks. She has appeared on cable and network television, radio, and internet programs and podcasts. She ran for California Treasurer in the California June 2014 State-wide Primary election. She has written and spoken convincingly about Sovereign Money.

Tim Di Muzio



Online References

- https://www.socred.org/s-c-action/social-credit-views/covid-19-capitalism-neoliberal-debt-the-need-for-sovereign-money
- https://www.academia.edu/42751970/Covid-19_Capitalism_Neoliberal_Debt_and_the_Need_for_Sovereign_Money
- https://www.taylorfrancis.com/books/9781315453453

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Dr Tim Di Muzio is Associate Professor in International Relations and Critical Political Economy at the University of Wollongong. Previous to this role he was a Postdoctoral Researcher at the Centre for Excellence in Global Governance Research at the University of Helsinki, Finland. He has taught at a number of Universities including Oxford, York University, Trent University and the University of Western Ontario. Was also an Associate at the Centre for Advanced International Relations Theory, University of Sussex.

Dr Di Muzio has written recently in support of Sovereign Money in the context of the Covid-19 pandemic, publishing “Covid-19 Capitalism, Neoliberal Debt & the Need for Sovereign Money” in April 2020. The paper examines how the present monetary system serves the richest elite, not the state or the people, how governments do not control the money supply and are forced to borrow at interest to fund budgetary deficits. The Covid-19 pandemic has resulted in the abandonment of all ‘fiscal discipline’ and unleashed a deluge of new debt creation that will lead to socially and economically destructive policies.

In 2017, with Richard Robbins, Tim Di Muzio co-authored the book “An Anthropology of Money: A Critical Introduction”, which shows how our present monetary system was imposed by elites and how they benefit from it. The book poses the question: how, by looking at different forms of money, can we appreciate that they have different effects? The authors demonstrate how modern money requires perpetual growth, an increase in inequality, environmental devastation, increasing commoditization, and, consequently, the perpetual consumption of ever more stuff. These are not intrinsic features of money, but, rather, of debt-money. This text shows that, through studying money in other cultures, we can have money that better serves the broader goals of society.

Joseph Huber

Online References

- https://sovereignmoney.site/

Professor Joseph Huber (born 4 November 1948 in Mannheim) is the chair of economic and environmental sociology at Martin Luther University of Halle-Wittenberg, Germany.

He has written influential papers on monetary policy, for instance "Seigniorage Reform and Plain Money" and wrote the 2017 book “Sovereign Money. Beyond Reserve Banking”, which makes a critical assessment of the current monetary system and its many flaws, and offers a solution based on sovereign money creation (‘seigniorage’). Huber is known widely also as one of the founders of ecological modernization theory.

Christian Etzrodt

Online References:

- https://osaka-u.academia.edu/ChristianEtzrodt

E-mail: ezrodtc@hotmail.com

Christian Etzrodt is a Faculty Member in the Graduate School of Human Sciences at Osaka University. He published two papers on sovereign money: "Modern Sovereign Money-Part I: The Moral Hazard of Fractional Reserve Banking" and "Modern Sovereign Money-Part II: A Synthesis of the Chicago Plan, Sovereign Money, and the Modern Money Theory".

Vincent Vickers

Online references:

- https://en.wikipedia.org/wiki/Vincent_Cartwright_Vickers
- https://archive.org/details/EconomicTribulation1941

Vincent Cartwright Vickers (16 January 1879 – 3 November 1939), was an economist, Deputy Lieutenant of the City of London, director of Vickers Limited and London Assurance. Between 1910 and 1919 he was a Governor of the Bank of England during the Bradbury Pound era, and later became President of the Economic Reform Club and Institute (ECRI). In 1926 he declared his undying opposition to Bank of England policy and the Gold Standard to the then Governor of the Bank of England, Montague Norman.

He expressed his ideas about monetary reform with great conviction in his 1941 book *Economic Tribulation*, in which he decried the distortion of democracy by the money power of the City of London and the Bank for International Settlements.

Mads Palsvig

Online references:

- https://www.linkedin.com/in/mads-palsvig-50b6291/

Mads Palsvig has worked in bond and asset trading, portfolio management and has worked for major financial institutions such as Credit Suisse, Barclays and Morgan Stanley. He is the founder of new political party in Denmark, JFK-21, whose key policy issues are: abolition of corporate tax, property tax for main property and income tax, instead introduce an automated payment transaction tax. Interest free mortgages for primary homes. Mads is an advocate of Sovereign Money, where money creation is government controlled.

Giovanni Linguanti

Online references:

- https://independent.academia.edu/GiovanniLinguanti
- Why State Issued Money is not Debt - Accounting for Sovereign Money

E-mail: giovanni.linguanti@humanstrategy.eu [?]

Professor Henry Simons

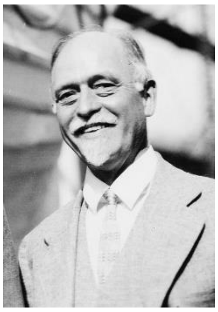
Online references:

- https://en.wikipedia.org/wiki/Henry_Calvert_Simons

Henry Calvert Simons (October 9, 1899 – June 19, 1946) was an American economist at the University of Chicago. A protégé of Frank Knight, his antitrust and monetarist models influenced the Chicago school of economics. He was a founding author of the Chicago plan for monetary reform that found broad support in the years following the 1930s Depression, which would have abolished the fractional-reserve banking system, which Simons viewed to be inherently unstable. This would have prevented unsecured bank credit from circulating as a "money substitute" in the financial system, and it would be replaced with money created by the government or central bank that would not be subject to bank runs.

Simons is noted for a definition of economic income, developed in common with Robert M. Haig, known as the Haig–Simons equation.

Irving Fisher



Online references:

- https://en.wikipedia.org/wiki/Irving_Fisher

Irving Fisher (February 27, 1867 – April 29, 1947) was an American economist, statistician, inventor, eugenicist and progressive social campaigner. He was one of the earliest American neoclassical economists, though his later work on debt deflation has been embraced by the post-Keynesian school. Joseph Schumpeter described him as "the greatest economist the United States has ever produced", an assessment later repeated by James Tobin and Milton Friedman.

Fisher made important contributions to utility theory and general equilibrium. He was also a pioneer in the rigorous study of intertemporal choice in markets, which led him to develop a theory of capital and interest rates. His research on the quantity theory of money inaugurated the school of macroeconomic thought known as "monetarism". Fisher was also a pioneer of econometrics, including the development of index numbers. Some concepts named after him include the Fisher equation, the Fisher hypothesis, the international Fisher effect, the Fisher separation theorem and Fisher market.

Fisher was perhaps the first celebrity economist, but his reputation during his lifetime was irreparably harmed by his public statements, just prior to the Wall Street Crash of 1929, claiming that the stock market had reached "a permanently high plateau". His subsequent theory of debt deflation as an explanation of the Great Depression, as well as his advocacy of full-reserve banking and alternative currencies, were largely ignored in favour of the work of John Maynard Keynes. Fisher's reputation has since recovered in academic economics, particularly after his theoretical models were rediscovered in the late 1960s to the 1970s, a period of increasing reliance on mathematical models within the field. Interest in him has also grown in the public due to an increased interest in debt deflation after the late-2000s recession.

Fisher was one of the foremost proponents of the full-reserve banking, which he advocated as one of the authors of A Program for Monetary Reform where the general proposal is outlined.

Fisher visited Wörgl in Austria before their local currency was suppressed and witnessed its success first-hand. Upon his return to the United States, he travelled around the country enthusiastically spreading the word and delivering lectures advocating the adoption of Wörgl-style ‘scrip’. Inspired by his vision, hundreds of communities began issuing their own currency, and by 1934 there were over 1,000 local communities using ‘scrip’ throughout the U.S.

Clifford Hugh Douglas

Online references:

- https://www.michaeljournal.org/articles/social-credit/item/who-was-clifford-hugh-douglas

Clifford Hugh Douglas (1879–1852) graduated from Cambridge University with an honours degree in mathematics. Though an engineer not an economist, he developed ideas which came to be known as social credit. Douglas collected data from more than 100 large British businesses and found that all except those becoming bankrupt, paid less in salaries, wages and dividends than the costs of goods and services produced each week: the workers were not paid enough to buy back what they had made. The basis of Douglas's reform ideas was to free workers from this system by bringing purchasing power in line with production, which became known as social credit. His proposal had two main elements: a national dividend to distribute money (debt-free credit) equally to all citizens, over and above their earnings, to help bridge the gap between purchasing power and prices; also, a price adjustment mechanism, called the "just price", to forestall inflation. The just price would effectively reduce retail prices by a percentage that reflected the physical efficiency of the production system. Douglas observed that the cost of production is consumption; meaning the exact physical cost of production is the total resources consumed in the production process. As the physical efficiency of production increases, the just price mechanism will reduce the price of products for the consumer. The consumers can then buy as much of what the producers produce that they want and automatically control what continues to be produced by their consumption of it. Individual freedom, primary economic freedom, was the central goal of Douglas's reform.

Catherine Austin Fitts

Online references:

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Catherine Austin Fitts (1950–) is an American investment banker and former public official who served as managing director of Dillon, Read & Co. and, during the Presidency of George H. W. Bush, as United States Assistant Secretary of Housing and Urban Development for Housing. She has widely written and commented on the subject of public spending and has alleged several large-scale instances of government fraud.

Publications

The Chicago Plan

The Chicago plan was a collection of banking reforms suggested by University of Chicago economists in the wake of the Great Depression. A six-page memorandum on banking reform was given limited and confidential distribution to about forty individuals on 16 March 1933. The plan was supported by such notable economists as Frank H. Knight, Lloyd W. Mints, Henry Schultz, Henry C. Simons, Garfield V. Cox, Aaron Director, Paul H. Douglas, and Albert G. Hart.

Between March and November 1933, the Chicago economists received comments from a number of individuals on their proposal, and in November 1933, another memorandum was prepared. The memorandum was expanded to thirteen pages; there was a supplementary memorandum on "Long-time Objectives of Monetary Management" (seven pages) and an appendix titled "Banking and Business Cycles" (six pages).

These memoranda generated much interest and discussion among lawmakers. However, the suggested reforms, such as the abolition of the fractional reserve system and imposition of 100% reserves on demand deposits, were shelved and replaced by less drastic measures. The Banking Act of 1935 institutionalized federal deposit insurance and the separation of commercial and investment banking. It successfully restored the public's confidence in the banking system and ended discussion of banking reform.

IMF Working Paper: The Chicago Plan Revisited

Co-authored by Michael Kumhof and Jaromír Beneš in 2012, this paper revisits the aforementioned 'Chicago Plan'. Here is the abstract:

At the height of the Great Depression a number of leading U.S. economists advanced a proposal for monetary reform that became known as the Chicago Plan. It envisaged the separation of the monetary and credit functions of the banking system, by requiring 100% reserve backing for deposits. Irving Fisher (1936) claimed the following advantages for this plan: (1) Much better control of a major source of business cycle fluctuations, sudden increases and contractions of bank credit and of the supply of bank-created money. (2) Complete elimination of bank runs. (3) Dramatic reduction of the (net) public debt. (4) Dramatic reduction of private debt, as money creation no longer requires simultaneous debt creation. We study these claims by embedding a comprehensive and carefully calibrated model of the banking system in a DSGE[7] model of the U.S. economy. We find support for all four of Fisher's claims. Furthermore, output gains approach 10 percent, and steady state inflation can drop to zero without posing problems for the conduct of monetary policy.

Citation: Beneš, Jaromír and Kumhof, Michael (2012). *The Chicago Plan Revisited*. IMF Working Paper No. 12/202. Available at SSRN: https://ssrn.com/abstract=2169748.

Models of Banking: Loanable Funds or Loans that Create Funds?

Co-authored by Michael Kumhof and Jakob Zoltan, this paper develops the view that banks create new money through their lending activities, rather than loaning on existing deposits. For further information, please read this blog post.

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[7] Dynamic stochastic general equilibrium models are used in macroeconomic theory to explain and predict co-movements of aggregate time series over the business cycle and to perform policy analysis.

Citation: Jakab, Zoltan and Kumhof, Michael. *Models of Banking: Loanable Funds or Loans that Create Funds?* (July 31, 2014). Available at SSRN: https://ssrn.com/abstract=2474759 or http://dx.doi.org/10.2139/ssrn.2474759.

Modern Sovereign Money-Part I: The Moral Hazard of Fractional Reserve Banking

By Christian Etzrodt. The aim of this paper is to show that problems in financial markets are not the result of unethical behaviour of specific individuals, but instead are caused by a fundamental conflict of interests between the private banks and society. By inflating bubbles through fractional reserve banking and securitization the private banks can increase profits but also increase the risks for the society at large. I will discuss why the most common proposals for reducing the risk for society are very likely not solving the problem, because they do not resolve the fundamental conflict of interest.

Citation: Etzrodt, C. (2018) *Modern Sovereign Money—Part I: The Moral Hazard of Fractional Reserve Banking*. Open Journal of Social Sciences, 6, 101-115.

Modern Sovereign Money-Part II: A Synthesis of the Chicago Plan, Sovereign Money, and the Modern Money Theory

By Christian Etzrodt. In the first part of this series, I demonstrated that the current fractional reserve banking system produces a fundamental conflict of interest between private banks and society. The aim of this second part is to describe three radical solutions to this interest conflict. The Chicago Plan and the Sovereign Money approach propose to prohibit private banks to create money by abolishing fractional reserve banking. The Modern Money Theory on the other hand tries to challenge the current economic systems as a whole based on chartalist ideas. All three approaches have serious deficits. However, they are complementing each other well. The Modern Money Theory solves the main problem of the Chicago Plan and the Sovereign Money proposal, whereas the latter two solve the major issues of the former. I will outline a synthesis of those three theories in order to overcome the interest conflict between the private banks and society.

Citation: Etzrodt, C. (2018) *Modern Sovereign Money—Part II: A Synthesis of the Chicago Plan, Sovereign Money, and the Modern Money Theory*. Open Journal of Social Sciences, 6, 116-135.

Modern Money and Sovereign Currency

By Joseph Huber. The text deals with the accordances and discrepancies between Modern Money Theory and what is called here New Currency Theory, the latter referring to the Currency School of the 19th century. MMT misinterprets itself as a chartalist approach and considers the present money system as a system of sovereign currency. However, rather than representing state theory of money, MMT in fact defends the present bankmoney regime and core elements of Banking School doctrine, due to, among other things, an absolutised identification of money and credit, and an artificial distinction between inside and outside money, both of which are typical for post-Keynesianism today. Equally, in analysing the relationship between assets and debt, and foreign surpluses and deficits, MMT shows a biased pattern of interpreting sectoral balances.

Citation: Huber, J. (2013). *Modern Money and Sovereign Currency*. Sovereign Money. https://www.sovereignmoney.eu/modern-money-and-sovereign-currency.

ACCOUNTING FOR SOVEREIGN MONEY - Why State-Issued Money is Not 'Debt'

By Ben Dyson & Graham Hodgson. Positive Money advocates a shift away from the current 'debt-based' monetary system, in which almost all money is created by commercial banks as they issue loans, to a 'sovereign money' system in which only the central bank is able to issue money. Sovereign money would consist of physical cash (notes and coins) and electronic money which is issued exclusively by, and held at, the central bank.

There is some disagreement amongst economists about how sovereign money should be treated in the accounts of the central bank. Currently, notes issued by the central bank are recorded as liabilities of the central bank. This has led some writers to argue that all sovereign money is a liability, or debt, of the central bank, and therefore of the state.

In this briefing note we show that according to the International Accounting Standards and International Financial Reporting Standards, the guidelines used by accountants globally, sovereign money should be recorded as equity of the state, rather than debt. This initially counterintuitive result makes sense when we consider the way that sovereign money, or indeed any national currency, gets its value.

Citation: Dyson, B. & Hodgson, G. (2016). *ACCOUNTING FOR SOVEREIGN MONEY - Why State-Issued Money is Not 'Debt'*. Positive Money.

Sovereign Money in Critical Context - Responding to criticism of sovereign money reform from a variety of economic viewpoints

By Joseph Huber. As criticism of reserve banking and the concept of sovereign money reform have been gaining attention, economists from various schools of thought feel called upon to comment on it. There is support, but also a great deal of critical objections. This paper deals with such criticism, using the opportunity to clarify what sovereign money reform actually is about.

Citation: Huber, J. (2014). *Sovereign Money in Critical Context - Responding to criticism of sovereign money reform from a variety of economic viewpoints*. Sovereign Money.

Central Bank Digital Currency and Sovereign Money Accounts

By Joseph Huber. When looking for an intermediate or gradual approach to monetary reform, two approaches are in the spotlight: - central bank issued digital currency (CBDC) based on blockchain technology, and - sovereign money accounts as an alternative option to bank giro accounts. Further ideas relate to - central bank accounts for everybody - mobile use of sovereign money accounts - helicopter money - safe deposits by way of a voluntary 100% reserve on individual deposits. The paper explains these options and discusses their pros and cons.

Citation: Huber, J. (2016). *Central Bank Digital Currency and Sovereign Money Accounts*. Sovereign Money. www.sovereignmoney.eu/monetary-workarounds-central-bank-digitalcurrency-and-sovereign-money-accounts.

What is sovereign money? Why it must be put on the agenda and what a sovereign money system would look like

By Joseph Huber. Sovereign money is legal tender issued by a state authority, in most cases by a state's independent central bank, or the ECB. The counterpart to sovereign money is commercial bankmoney, i.e. demand deposits on current bank account. Bankmoney is created whenever a bank grants a loan, or overdraft, or buys stocks and bonds or real estate, and pays for this by crediting the customers' or sellers' accounts. In a full sovereign money system, by contrast, banks could no longer themselves create the bankmoney on which they operate.

Citation: Huber, J. (2017). *What is sovereign money? Why it must be put on the agenda and what a sovereign money system would look like*. Sovereign Money. www.sovereignmoney.eu/what-is-sovereign-money.

The Chicago Plan (100% Reserve) and Plain Sovereign Money

By Joseph Huber. There are basically two types of approaches to bringing about a sovereign money system – on the one hand a variety of 100%-reserve systems (full reserve systems) dating from the 1930s, on the other hand a number of variants of the newly developed approach of a plain single-circuit sovereign money system. Full reserve systems retain the split between demand deposits (bank money) used in nonbank public circulation, and reserves (central-bank money) used in interbank circulation, thus representing a split-circuit system. A plain sovereign money system abandons the split-circuit structure based on a mixed money supply of deposits and reserves in favour of a single circuit on the basis of just sovereign money issued by the central bank (in Europe) or the Treasury (in the US).

Citation: Huber, J. (2015). *The Chicago Plan (100% Reserve) and Plain Sovereign Money*. Sovereign Money. www.sovereignmoney.eu/the-chicago-plan-100-per-cent-reserve-and-plain-sovereignmoney.

Modern Money Theory: A Primer on Macroeconomics for Sovereign Monetary Systems

By Dirk H Ehnts. The second edition of L. Randall Wray's textbook Modern Money Theory: A Primer on Macroeconomics for Sovereign Monetary Systems was published in 2015, with slightly more pages and a restructured outline. The book is the standard of modern mone(tar)y theory (MMT) – a Post-Keynesian variety centred on monetary macroeconomics, whereby the economy is explained through the examination of balance sheets, heavily focused on the monetary side.

Citation: Ehnts, H. H. (2017). *Modern Money Theory: A Primer on Macroeconomics for Sovereign Monetary Systems*. Int. J. Pluralism and Economics Education, Vol. 8, No. 1, 2017.

SOVEREIGN MONEY PAVING THE WAY FOR A SUSTAINABLE RECOVERY PositiveMoney Acknowledgements

By Andrew Jackson. In the first part of this series, Jackson demonstrated that the current fractional reserve banking system produces a fundamental conflict of interest between private banks and society. The aim of this second part is to describe three radical solutions to this interest conflict. The Chicago Plan and the Sovereign Money approach propose to prohibit private banks to create money by abolishing fractional reserve banking. The Modern Money Theory on the other hand tries to challenge the current economic systems as a whole based on chartalist ideas. All three approaches have serious deficits. However, they are complementing each other well. The Modern Money Theory solves the main problem of the Chicago Plan and the Sovereign Money proposal, whereas the latter two solve the major issues of the former. Jackson outlines a synthesis of those three theories in order to overcome the interest conflict between the private banks and society.

Citation: Jackson, A. (2013). *Sovereign Money Paving the Way for a Sustainable Recovery*. PositiveMoney. ISBN 978-0-9574448-2-9.

Binary Economics—the new paradigm

Co-authored by Robert Ashford and Rodney Shakespeare, this book proposes the progressive elimination banks' ability to create new money and its replacement with a supply of national bank-issued interest-free loans (administered by the banking system). Such interest-free loans are directed at the development and spreading of productive (and the associated consuming) capacity. In effect, there will be two interest rates—a zero rate for binary purposes (plus administration cost) and the other for the rest of the economy. For example, binary interest-free loans might be used to fund large infrastructure projects and granted to enable citizens to pay for their secondary education and buy a home.

Citation: Ashford, R. & Shakespeare, R. (1999). *Binary Economics—the new paradigm*, Lanham Md: University Press of America.

Seven Steps to Justice

Co-authored by Rodney Shakespeare and journalist Peter Challen, this book further develops binary economics… The foreword was written by Peter Selby, Bishop of Worcester. William Krehm has written a review and rather telling critique of the book.

Citation: Shakespeare, R. & Challen, P. (2002). *Seven Steps to Justice*, London: New European.

Web link: https://www.binaryeconomics.net/wordpress/introduction/present/

Democracy and Economic Power - Extending the ESOP Revolution

Co-authored by Louis and Patricia Kelso, this is an early proposal of binary economics, whose ideas were first articulated in *The Capitalist Manifesto* (Louis Kelso and Mortimer Adler, 1958).

Citation: Kelso, L. and Kelso, P. (1986, 1991). *Democracy and Economic Power - Extending the ESOP Revolution.* Ballinger Publishing Company (republished and currently available from University Press of America).

Governance of the American economy

Citation: Campbell, J. L., Hollingsworth, J. R. & Lindberg, L. N. (1991). *Governance of the American economy*. Vol. 5. Cambridge University Press, 1991.

Governing capitalist economies: Performance and control of economic sectors

Citation: Hollingsworth, J. R., Schmitter, P. C. & Streeck, W. (1994). *Governing capitalist economies: Performance and control of economic sectors*. OUP.

Contemporary capitalism: The embeddedness of institutions

Citation: Hollingsworth, J. R. & Boyer, R. (1997). *Contemporary capitalism: The embeddedness of institutions*. Cambridge University Press.

Advancing Socio-Economics: An Institutionalist Perspective

Citation: Hollingsworth, J. R., Müller, K. H. & Hollingsworth, E. J. (2005). *Advancing Socio-Economics: An Institutionalist Perspective*.

Doing institutional analysis: implications for the study of innovations

Citation: Hollingsworth, J. R. (2000) *Doing institutional analysis: implications for the study of innovations*. Review of International Political Economy 7.4 (2000): 595-644.

A strategy for the analysis of idea innovation networks and institutions

Citation: Hage, J. & Hollingsworth, J. R. (2000). *A strategy for the analysis of idea innovation networks and institutions*. Organization Studies 21.5 (2000): 971-1004.

Books

Wray, L. R. (2012). *Modern Monetary Theory*. https://www.amazon.com.au/Modern-Money-Theory-Macroeconomics-Sovereign/dp/0230368891

Huber, J. (2017). *Sovereign Money. Beyond Reserve Banking*. London: Palgrave Macmillan. ISBN 978-3-319-42173-5. https://www.amazon.co.uk/Sovereign-Money-Beyond-Reserve-Banking-ebook/dp/B01NAHMWXZ/

Di Muzio, T. & Robbins, R. H. (2017). *An Anthropology of Money*. New York: Routledge, https://doi.org/10.4324/9781315453453. https://www.amazon.co.uk/Anthropology-Routledge-Creative-Teaching-Learning/dp/1138646008/.

Legislation

California State Assembly Bill 857

Online references:

- https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201920200AB857
- https://californiapublicbankingalliance.org/ab-857-california-public-banking-bill-text-digest-and-fact-sheet/
- Max Keiser interviews Ellen Brown Nov. 2019

In 2019, Miguel Santiago (Assembly member for Los Angeles) and David Chiu (Assembly member for San Francisco) introduced Assembly Bill 857 to the California State Assembly a bill to make it easier to establish new regional and municipal public banks throughout the state of California. The legislation was sponsored by the California Public Banking Alliance (CPBA) and was signed into law by Governor Gavin Newsom. Whilst not an example of sovereign money creation *per se*, the fact that the public bank operates at or near 100% reserve offers many advantages including the ability to offer much higher interest rates to depositors.

House of Commons Early Day Motion 748

Online references:

- https://edm.parliament.uk/early-day-motion/46238/100th-anniversary-of-the-bradbury-pound

In the United Kingdom in November 2013, five Labour Party members signed Early Day Motion 748: Austin Mitchell, Kelvin Hopkins, Jeremy Corbyn (Labour Party Leader 2015–2020), Paul Flynn, John McDonnell (Shadow Chancellor of the Exchequer 2015–2020).

EDM #748 went as follows:

> "That this House notes that the hundredth anniversary of the Bradbury Pound on 7 August 2014 is a welcome reminder of the historic precedent for public credit as the sound basis for debt- and interest-free Treasury money and therefore the sound alternative to the national debt and interest-bearing bank money; congratulates the Forum for Stable Currencies for having promoted the public credit since 2002; and urges HM Treasury to follow John Bradbury's model and address social, economic and political issues across party lines in one fell swoop and avoid wholly unnecessary austerity cuts."

