Don Richards is the National Spokesperson for Positive Money New Zealand which is part of the International Movement for Monetary reform. The movement is committed to having a monetary system that works for society and not against it.

How to protect our economy from the next GFC (Global Financial Crisis)

The New Zealand financial system is approaching crisis point due to its crippling level of private debt, which is now more than 90% of our GDP. It is now ten years on from the collapse of Lehman Brothers in September 2008 and the start of the Global Financial Crisis and not much has changed.

Positive Money New Zealand is seeking to secure our financial future by launching a petition to give the Reserve Bank of New Zealand the exclusive ability to issue all New Zealand money, whether notes, coins, or electronic. Money issued by the Reserve Bank would be called Sovereign Money.

Our current debt-based financial system has 97% of our money supply created by private banks at the click of a button to finance loans and mortgages. Our Reserve Bank has been relegated to issuing just 3% of our money in the form of notes and coins.

Privately owned banks create money “ex nihilo” (from nothing) lending this created money to you and me with interest added. This new money is pumped into housing ensuring the cost rises out of proportion to the rest of the economy. It is how banks make huge profits with most of that money going overseas, keeping the New Zealand economy on its knees.

More people must get into debt than repay their debt for our economy to grow in a debt-based money system. Making things worse, when bank loans are repaid, the money is destroyed and can't be lent out again. The money was created from nothing and when repaid it returns to nothing.

This system of debt-based money is unsustainable. As the former governor of the Bank of England pronounced in 2010 “Of all the many ways of organising banking, the worst is the one we have today”.

With the Reserve Bank creating all of our money, new money could be used to fund infrastructure projects. The money would stay in circulation, rather than being destroyed upon repayment. This is not a new idea. In 1936, after the first great depression, our

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Reserve Bank injected millions of pounds into our economy for infrastructure projects enabling the building of thousands of state houses. “

The election advertisement from the 1930s could almost apply to the current day as the then Labour Government built thousands of state houses with Reserve Bank Credit.

No need for our Minister Twyford to look overseas for funding for the current KiwiBuild programme as there is interest-free money available right here and now.

Returning to the 1930s, the injection of Government money into the economy put money in people’s pockets and freed up tax dollars to finance a Social Welfare system that became the envy of the world. Such a thing was unthinkable a mere three years prior to the introduction of the legislation.

While things have certainly changed since the 1930s, an IMF discussion paper titled The Chicago Plan Revisited, issued in 2014 endorsed a similar approach to that taken by our first Labour government. In fact, it went even further.

The IMF paper said that a system where the central Bank (our Reserve Bank) issued the currency would smooth out the boom and bust cycles, eliminate runs on the banks and dramatically reduce both public and private debt. In addition, it would provide productivity gains of 10% and steady state inflation would drop to zero.

By modernising our banking system by having the Reserve Bank issue all of our currency debt-free, we will have a financial system that has been proven to work rather than one that fails every 10 to 15 years.

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