TRUE COST OF THE BAY OF PLENTY OIL DISASTER

NEW ZEALAND INVESTOR

Issue 201 NOVEMBER 2011 $8.95

FREE MONEY
HOW NZ CAN GET OUT OF DEBT

RED SHED BLUES
WAREHOUSE IS GOING BACK TO ITS ROOTS

CITY COUNCIL
BREACKS RULES ON ETHICAL INVESTMENTS

EUROPEAN CRISIS
BANKERS ARE CIRCLING

GOLD & SILVER
IS THE BUBBLE ABOUT TO POP?

GREAT READS
OUR PICK OF THE BEST INVESTMENT BOOKS

OUR PICK OF THE SHARES TO WATCH – PAGE 17
Time to reboot the system

When you first hear that banks create money by typing numbers into a computer you can’t quite believe it. When you hear that this free ‘money’ is lent out with interest added, you dismiss it as lies because the banks would be no better than counterfeiters.

Like the rest of us, I have been watching as our government, as well as those across Europe and in the US, beg for funds from the central banks to the tune of trillions of interest-bearing dollars.

In the back of my mind I wondered where all this money came from. Then I heard of the Occupy Wall Street sit-in and began following the event online. I watched documentaries such as Bill Still’s The Secret of Oz, Paul Grignon’s Money as Debt and read Deirdre Kent’s book Healthy Money, Healthy Planet.

It took less than a week to join the dots and understand that we are collectively indebted to the banks and the debt will only grow larger. Under the current monetary system, there is no way out.

Once you understand that the banks create 98 per cent of all money in New Zealand, and the money is loaned out with interest attached, and that the two per cent of money created by the government is nowhere near enough to pay that interest, you start to understand why we are in a collective spiral of increasing debt.

I’d wager that, with one notable exception, our elected representatives do not realise what’s going on.

The Reserve Bank of New Zealand, which has the ability to create debt-free money, will tell anyone who cares to listen why it would be madness for the RBNZ to take back control of the money supply.

This is what Mike Hannah of the Reserve Bank has to say about it: “If the government ‘prints money’ and uses it to spend in the economy, the quantity of money in the economy increases, and all else [being] equal, interest rates will fall, and prices will rise.”

What Hannah forgets is that government printed money would not be inflationary when spent on items such as infrastructure – items that are currently funded by taxes and bank loans. Loans that are paid for with tax receipts and reduced public services. Quantity theory assumes that money is ‘neutral’. It’s not, it is debt.

Hannah says: “Conversely, when the government borrows money from the public to spend, this in itself does not increase the money supply.”

This ‘public’ money comes from banks, the creators of most of our funds. So it has already been created out of thin air and is attracting interest. Instead of saying ‘money supply’ Hannah could more accurately call it ‘debt supply’.

If the government created and controlled the money we need, it would not need to borrow any money. As a country we would not be beholden to any corporation.

Is changing the way government obtains the money it needs to pay for public services, infrastructure and civil servant payrolls an election issue? It could be, but is probably too late for this one.

But as countries start to fall further into debt, as banks step in to foreclose on people’s homes, businesses and countries, a sea change may be unstoppable.

When banks lend you $90 billion, do you do what the people want, or what the banks want? Who’s your daddy?

Steve Hart, editor.