Of Banking, Quakers and Bubbles.

Jon Long spoke at the Adderbury Gathering on Sunday 15th June 2014. About a hundred people filled the old meeting house to hear him talk about family traditions of problem solving and Quakers, and most importantly, to hear about money.

He spoke of his father's aptitude in “big systems thinking” and strategic planning – taking his career through Bletchley Park, in Bomber Command and after that, on military planning for nuclear war. His father felt the tension, between doing a good job and feeling perhaps he was not doing the right thing.

Jon also remembered, in his early days, going to Quaker meetings with his grandfather. His grandfather's first encounter with Friends, was as a badly injured 17 year old, stuck for 3 days in no-mans land in the Somme during WW1 where he was rescued by two stretcher bearers who he believed to be Quakers.

Jon grew up fascinated by systems thinking and complex problem solving, getting involved with data driven marketing in his 20's. (That's targeted junk mail to you and I.) Cross selling, up selling, reselling … he got very good at it. The ideas also drew on the big data handling methods coming out of Defence systems. And thus he came to work as a consultant to the banks, here and internationally. And again – he had doubts about the ethics of this, a vague feeling that all was not well, as debt was pushed onto people. But, even if this wasn't in line with the brand values of the Banks, the banks were regulated, so all this was okay and above board – wasn't it?

By now the banks were feeling the frenzy of competition - Banks were getting good at offloading the risk, and focusing more on market share and opportunity. So it spiralled out of control.

Here the talk became more specific. What exactly is the monetary system and how was this possible? We all have this notion that the money in our current account is ours – well no, actually it's the banks. And they can lend it. Actually they can lend as much digital money as they want. Every time they make a loan on a house, or credit card, it's like printing money.

As Jon explained - roll back the clock to the early 1800s and we had a similar situation. The banks printed their own bank-notes. The inflation and asset-bubbles this created would have been familiar to us today. The government at the time brought in the Bank Charter Act of 1844, and thus it was only the Bank of England who could issue new banknotes.

Up until about 1980, the monetary system, and size of the economy remained fairly stable but changes then took the brakes off. We were stunned to hear that although the Bank of England still controls the cash, the value of the money they create is only 3% of the economy – the rest is all digital money.

And with all the investment of late, money put in as “Quantitative Easing”, about £375 billion in the first round, by Jon's account, this mostly created asset-bubbles, with only about £30 billion going into the “productive economy”. Large amounts went into property and increasing debt, as lending on houses - a secure asset, was seen as a “good” lending. And as a consequence a whole generation is now excluded from the property market. There has been a huge flow of wealth from 90% of the population into the top 10% of the population. And the cost of being poor is growing.

Now even in China, where there is money to be made, lending and getting a return on increasing debt; property as an asset is having an impact. The "financialisation" of everything is increasing.

Jon got involved with Positive Money about 4 years ago in its early days, when Ben Dyson – its founder - was talking about monetary reform, and a group called the Bromsgrove Economists started talking and promoting alternatives. Not that all of these ideas were new! A plan from the 1920's was dusted-off too – the "Chicago" plan. Key ideas from Positive Money are that we need:

- Full reserve banking – only lending what you've got!
- An independent monetary creation policy committee, not the banks and not the politicians
- Transparency in banking.

Jon did have some encouraging examples to talk about – Triodos Bank was mentioned first, as *almost* a full reserve bank – although only lending to businesses. The Cooperative tried – but then fell down when it took over the Britannia loan book. Then there are Credit Unions – fascinating banks – fulfilling the needs of poor people.

Jon explained about "Sovereign Money" - another idea from Positive Money – money from the Bank of England, which could go directly into the real (non-financial) economy, this could green our economy and provide much greater productive employment.

Or how about the idea that the bank becomes the guardian of your money and you choose where it gets invested – they would just be the brokers. You would have control of where your money went. What a radical idea!

And if you want to take this further and explore these ideas – there are local Positive Money groups, such as the one in Oxford which meets every month for lively discussion. They are even trying to improve the Economics teaching in Oxford University!

There were many questions following Jon's talk:

Q What about new Digital currencies? These digital currencies might be a fascinating experiment. There are also successful local money systems (like the Bristol Pound which Jon is involved with) – keeping money in the local economy. Though, good as these might be, Positive Money's focus is still on reforming the mainstream monetary system.

Q What can we do?
Jon suggested writing to your MP – encouraging them to look into Sovereign Money and asking if they understand the current monetary system. His assumption is that most of them don't!

The Positive Money website has several good books to read – one "Modernising Money" - which even the Bank of England refers to as a good explanation of how the monetary system works.

You could sign the petition on the Positive Money website.

Or get involved with a local group.

And as a wider society – we need to consider reducing financial debt with debt jubilees and increasing wages to re-balance the economy.

Q What about international debt. Can we learn from how that can be written off?
Jon introduced the term “Odious Debt” - a term to describe debt so unfair in its effect that it should not be repaid. He then suggested that the early Quaker society ideas of always paying off your debts and managing your money well needed to be challenged. (Early Friends could be disowned for falling into debt and not being able to repay.) Now it is NOT always fair to insist that people pay off a debt.

Q What about the Islamic approach? Yes - when the lender and the borrower share the risk, this may be a good approach. Though Jon said, even here, there are Sharia law “experts” trying to create good investment platforms for the very wealthy.

Q What about Student Loans – just creating a group of people with even more debt? This grieved a Friend greatly. Jon agreed, this is the “financialisation of everything” again. Jon also commented on how the Austerity measures further stressed the economy, where the cuts and wage freezes just made the productive economy relatively smaller, without shrinking the financial economy.

The meeting ended, as it had begun, with silence until the Elders shook hands.

An hour in the meeting house was followed by much more chat outside, and a tasty afternoon tea.

A partial account by Maria Huff – all the errors in note taking & transcription are mine.

Further reading & research:

http://www.positivemoney.org/how-money-works/how-banks-create-money/
http://www.positivemoney.org/modernising-money/
http://www.bendyson.com/

http://www.positivemoney.org/get-involved/local-groups/

https://www.youtube.com/watch?v=eHQ7wvWzUW0#t=17