End Violence! End Poverty!

Come and Join in:

The Campaign For Interest-Free Money

www.interestfreemoney.org

INTEREST AND INFLATION FREE MONEY
by Margrit Kennedy

The view of our planet earth from the moon has changed everything save our mode of thinking and thus we still drift towards unparalleled catastrophe. This book shows you that we have the creativity and power to change both our thinking and the world. You are introduced to a radical new way of realizing the impact of your money on the world around you - a quantum leap in consciousness.

You will find here the facts about how relatively rich or poor you are and whether you belong to those who are winning or those who are losing in the present "money game". You will understand that we can predict a crash mathematically. The question is just when and where it starts. Since it is going to effect everybody, even those who have profited from the system so far could win if they promoted monetary reform now.

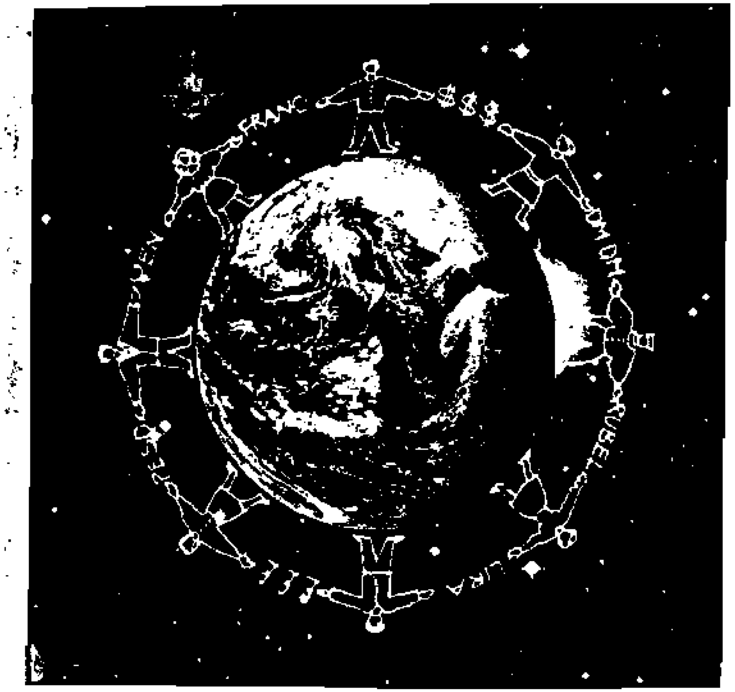
This win-win situation turns the present crisis into a global opportunity for a sustainable money system. Instead of learning it the hard way - which means economic desaster and social chaos for millions of people - we may chose the soft evolutionary path of change. If not, this book will help people to start with a better system after the crash.

Interest and Inflation Free Money was written by Dr. Margrit Kennedy after 10 years of work with new ecological concepts which are near to impossible to implement - on a wider scale - if the present money system is not changed. This book tells you about links between economy and ecology, and describes a possibility for achieving more social and environmental equity in industrialized and developing countries.

It gives you hope and proposals for action.

MARGRIT KENNEDY

INTEREST AND INFLATION FREE MONEY



HOW TO CREATE
AN EXCHANGE MEDIUM THAT WORKS
FOR EVERYBODY

MISCONCEPTION 2:
WE PAY INTEREST ONLY IF WE BORROW MONEY

A further reason why it is difficult for us to understand the full impact of the interest mechanism on our monetary system is that it works in a concealed way. Thus the second common misconception is that we pay interest only when we borrow money, and, if we want to avoid paying interest, all we need to do is avoid borrowing money.

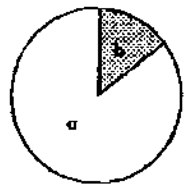
Figure 3 shows that this is not true because interest is included in every price we pay. The exact amount varies according to the labour versus capital costs of the goods and services we buy. Some examples indicate the difference clearly. The capital share in garbage collection amounts to 12% because here the share of capital costs is relatively low and the share of physical labour is particularly high. This changes in the provision of drinking water, where capital costs already amount to 38%, and even more so in social housing where they add up to 77%. On the average we pay about 50% capital costs in the prices of our goods and services.

Therefore, if we could abolish interest and replace it with another mechanism to keep money in circulation, most of us could either be twice as rich or work half of the time to keep the same standard of living we have now.

EXAMPLES OF THE AMOUNT OF INTEREST WITHIN NORMAL PRICES AND FEES

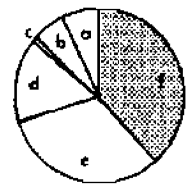
1. Garbage Collection Fees
Example of the city of Aachen 1983

a) Depreciation, fixed, personel and miscellaneous costs	88%
b) Cost of interest on capital	12%
Fees for 110 l. garbage can: DM 194,-	100%



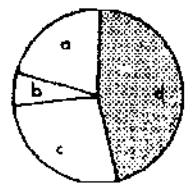
2. Drinking Water Costs
Example of a Northern German Water Supply Works 1981

a) Energy costs	7%
b) Plant maintenance	6%
c) Water treatment	1%
d) Personnel + fixed costs	18%
e) Depreciation	30%
f) Cost of interest on capital	38%
Price per cu. metre: DM 1.36	100%



3. Use of Drains - Sewage Costs
Example of the City of Aachen 1983

a) Fixed costs	19%
b) Personnel costs	7%
c) Depreciation	27%
d) Cost of interest on capital	47%
Price per cu. metre. DM 1.87	100%



4. Cost of Rent in Public (Social) Housing
Calculations of the Federal Office of Statistics 1979

a) Risk and profit	1%
b) Administration + running costs	6%
c) Building maintenance costs	5%
d) Depreciation	11%
e) Cost of interest on capital	77%
Rent per sq. metre: DM 13.40	100%

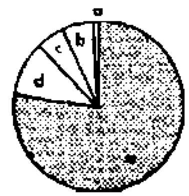


FIG. 3

COMPARISON OF INTEREST PAID & GAINED

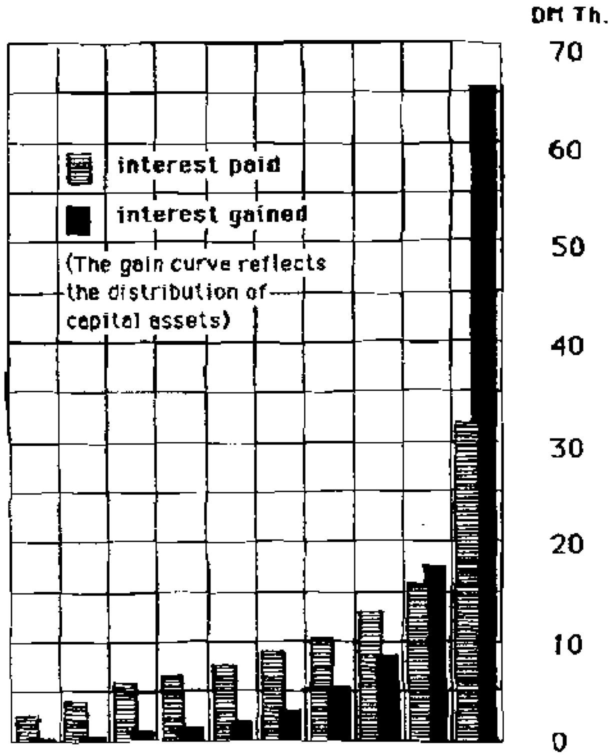
IN 10 GROUPS OF HOUSEHOLDS OF 2.5 MILLION EACH

Applied interest paid or gained = DM 270 billion (1982)
(= interest transfer from private to private funds)

Applied credit interest = 5.5%

All values in thousands of Deutsch Mark per household per annum

FIG. 4



Household groups according to income	1	2	3	4	5	6	7	8	9	10
Income paid per HH. (in Th.DM)	2.3	4.1	5.9	6.5	7.6	9.1	10.5	13.5	16.3	32.3
Interest gained per HH.	0.5	0.7	1.1	1.5	2.3	3.2	5.5	8.8	18.0	66.5
BALANCE	-1.7	-3.4	-4.8	-5.0	-5.3	-5.9	-5.0	-4.7	+1.7	+34.2

MISCONCEPTION 3:
IN THE PRESENT MONETARY SYSTEM WE ARE ALL EQUALLY WELL OFF

A third misconception concerning our monetary system may be formulated as follows: since everybody has to pay interest when borrowing money (or buying goods and services) we are all equally well (or badly) off within our present monetary system.

Not true again. There are indeed huge differences as to who profits and who pays in this system. *Figure 4* shows a comparison of the interest payments and income from interest in ten numerically equal sections of the West-German population. It indicates that the first eight sections of the population pay more than they receive, the ninth section receives slightly more than it pays, and the tenth receives about twice as much interest as it pays i.e. all those shares which the first eight sections have lost. This explains graphically, in a very simple and straightforward way, why "the rich get richer and the poor get poorer".

If we take a more precise look at the last 10% of the population in terms of income from interest another exponential growth pattern emerges. For the last 1% of the population the income column would have to be enlarged about 10 times. For the last 0,1% it would have to be enlarged more than 100 times.

ABOUT THE AUTHOR

MARGRIT KENNEDY , is a German architect, urban planner with a Ph.D. in Public and International Affairs (GSPIA, University of Pittsburgh). She has written and published numerous books, articles and reports on community school planning and building, women and architecture, urban ecology, permaculture, money, land and tax reform. She has practiced architecture and urban planning in Brazil, Nigeria, Scotland, the USA and West Germany. Dr. Kennedy is co-editor with Prof. Declan Kennedy of *The Inner City, Architectural Year Book 14*, London,1972. She has travelled and researched for UNESCO and OECD from 1974 to 1978, and was responsible for research in ecology and energy in the context of the International Building Exhibition (IBA), West Berlin, between 1979 and 1984. Her experiences have been summarized in the two books *Öko-Stadt, Band I & II*, (Eco-City: Volume I: Principles of Urban Ecology & Volume II: Planning Cities with Nature), Frankfurt/M., 1984. At present as free-lance planner, she is part of a group, implementing one of the first European example of permaculture in Steyerberg, West Germany, where she is also member of a new ecological community.

This is her first book dealing with the money issue, following her recognition that ecology and economy follow opposite growth patterns and that the implementation of her ecological proposals encounter difficulties within the present money system. She has, therefore, taken the initiative to inform decision-makers and the general public about the possibilities of monetary change. Since 1984, she has lectured about money, land and tax reform in Australia, Austria, Denmark, Greece, India, Ireland, Norway, Scotland, Sweden, the U.S.A. and West Germany.

Sir Harry Page

Sir Harry Page, who was one of the most eminent Presidents of the Institute, died on 1 January 1985. The Institute had agreed that it would publish this excellent essay for Sir Harry before he died.

The essay is derived from a larger research study into the History of Local Authority Borrowing which is being published later this year by Allen & Unwin Limited and sponsored by Butler Till Limited.

Sir Harry's interest in the capital finance of local authorities matured when he became City Treasurer of Manchester in 1957. His concern for simplification and his creativity led to the development of the Bond which emerged as a mechanism for borrowing above all other borrowing mechanisms. He was one of the very few people who have established a clear reputation for themselves in the City beyond the reputation they have established in their initial career.

This essay is not only interesting and very easy to read but also gives its readers, as Sir Harry suggests in his Foreword, some wry amusement, especially to those who now seem to spend most of their time looking for the opportunities which the deficiencies in legislation create. 'Twas ever thus'.

N P Hepworth June 1985

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IN RESTRAINT OF USURY

THE LENDING OF MONEY AT INTEREST

Sir Harry Page, MA(Admin), IPFA
Formerly City Treasurer, Manchester

THE FURTHER PROHIBITION OF USURY: 1496

This next Act (11 H.vii 8) — a mere eight years later — was much more specific; the statute begins:

> 'All manner of person . . . lending money to and for a time, taking for the same loan anything more besides or above the money lent by way of contracts or covenant . . . saving penalties for a non-payment of the same money lent' —

(ie compensation for late repayment or failure to repay — the permitted 'interesse') was to forfeit the value of the loan. In this statute a very convoluted attempt was made to describe and forbid the 'dry exchange'. R.H. Tawney (Introduction to Wilson's 'Usury') says that the attempts to define this device 'led the Parliamentary draughtsmen of Henry VII into prodigies of laborious obscurity'; he also quotes a later writer (Fenton — 'A Treatise on Usury' 1612) as describing the dry exchange as having 'no more juice or sap than a painted tree, either in charity or in equity, but being a griping usury under the title of exchange, it dries up the fountain of both'.

Another type of loan forbidden under this Act was for a lender to take a property as surety for a loan and to retain the rents or profits of the property while it is under mortgage, thus making a profit 'more besides or above the money lent'. This is the practice denounced by Pope Eugene III in 1148, and described earlier. Indeed, apropos the term mortgage, the Encyclopedia Britannica alleges that if the gage-creditor took the rents and profits arising from the property pledged, towards the discharge of the debt, this was a 'live' gage, whereas if the borrower retained the profits from the land which he had pledged, and remained directly responsible for debt and interest thereon, this was a 'mort' (dead) gage. This picturesque interpretation is not generally shared by other authoritative references.

'AN ACTE AGAYNST USURIE': 1545

The next statute, (37 H.viii 9) constituted a contradiction in terms because although described as a measure *against* usurie, what it did was for the first time to allow by law the limited charging of

interest on loans. But by restricting the maximum rate, it purports to say that this compromise was intended as a deterrent to usury rather than an admission of the principle; in other words, this is a further example of the sophistry — or perhaps conflicts of conscience — permeating this subject.

First, this Act repeals all previous Acts relating to usury, shifts, corrupt bargains and chevisances.

Instead of going straight on to the establishment of the permitted rate, the Act forbids what must by then have been the most commonly used device for concealing interest — a false chevisance — the technique of a fictitious sale and re-purchase between lender and borrower with a difference in price sufficient to create a fictitious profit in lieu of an interest payment:

> '. . . no person shall . . . sell his merchandises or wares to any person and within three months next after . . . buy the same merchandises or wares or any part of parcel thereof, upon a lesser price, knowing them to be the same wares or merchandises that he before did so bargain and sell.'

That this device, already forbidden in the earlier Act, needed to be condemned once again is some indication of the prevalence of the practice, but as such selling and buying back, either directly or through agents, was only forbidden within any three month period, the restriction cannot have been very effective.

The Act then dealt with the new permitted rate of interest by a painstaking attempt to define the kinds of transaction to which it applied.

> 'No person nor persons of what estate etc by way or mean of any corrupt bargain, loan, exchange, chevisance, shift interest or any wares, merchandises or other thing or things whatsoever or by any other corrupt or deceitful way or mean, or by any covin [deceit, fraud, artifice] engine or deceitful way or conveyance, shall have, receive, accept or take in lucre or gains, for the so bearing or giving day or payment of one whole year, of, and for his or their money or other thing, that shall be due for the same wares, merchandises or other thing or things,

being the predominant investor-lenders of today. One seeks in vain among the early discussions on usury for any inkling of 'lending' as being also 'saving' (except to the extent that savings or surpluses should be lent free of charge) or of the so-called 'life-cycle' of saving which forms so strong an element in today's foregoing — that money put aside now and accumulated at interest will help to meet the needs of later life when current income is diminished. Pension funds, which typify this system, are wholly dependent on lending at interest to make their later-life provisions practicable. And so are insurance funds, although they also have as a fundamental basis the principle of 'good risks carrying the bad'. There is no thought today that bodies by lending at interest are acting in an immoral way by burdening the borrowers (though many borrowers may find their debts a burden).

But there is a fourth development which is fundamentally based on charging for the use of money — the credit card, the so-called 'plastic money', one of the phenomena of the present generation like space travel, television and the silicon chip. Only a handful of years ago credit was extended to individuals with the utmost caution; today facilities for the obtaining of credit on a scale far exceeding the old established hire-purchase systems, are thrust upon the public for the acquisition not only of long-term assets, but for essentially short-term assets and for current consumables. 'Buy now, pay later — at usury' is the order of the day, but repayment is considered as less desirable than the continuous payment of interest on long-maintained debt. The taking of pledges — collateral — is no longer considered necessary, at least for smaller borrowers — under the new credit system.

Strange echoes are also to be found in modern times of the Statute Concerning the Jews, 1233, by which a seemingly innocuous rate of interest described as '2d. per pound per month', which nevertheless meant 43% a year, was permitted. The Moneylenders Acts of 1900, 1911 and 1927 did not establish a maximum rate of interest positively, but allowed the Courts to determine on request whether an agreed rate was reasonable in the circumstances of the transaction, with an indication that a rate

above 48% would be considered 'harsh and unconscionable'; these Acts, true to history, also prohibited various devices which would conceal the true rate of interest.

Perhaps the Act of 1233 should have been framed as under the modern Consumer Credit Act 1974, which among other things, rescinds the Moneylenders Acts with their 'watershed' of 48%, but makes reference to 'extortionate bargains' and in particular requires all expressions of rates of interest to show also the Annual Percentage Rate (APR). Thus, for example, the seemingly attractive rate under current credit card facilities of '1.75 per month on a daily basis' must also be disclosed as 21.1% a year. This is not by any means the highest of the 'easy credit' terms of today. 'Which?' magazine (September 1977) gives the following examples of the confusing nature of certain offers:

'How do the following ways of borrowing to buy a £100 washing machine compare?'

		True annual rate
Hire purchase through shop	20% deposit: low monthly payments of £4.25 for two years	27.4%
Personal loan from High-Street bank	16.6% true rate of interest	16.6%
Trading voucher	No deposit; low weekly payments of £1.45 for 95 weeks	44.4%
Personal loan from finance company	12½% flat rate of interest; pay back loan over two years	24.9%

All of which — while it may find some reflection in the 1233 Act — is a far cry from the Tudor maximum of 'X li. for the lone of C li. for a yere'.

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HOLY BIBLE
Authorised version.
"Good News" Bible.
New English Bible.

FOCUSSING on SOLUTIONS

Problems from Lending Money at Interest

An Analysis of Original Debt, Exponential Interest and Built-in Inflation

In the UK, the 1998 budget amounts to £423 interest payment and £7729 debt per person. In view of the referendum on EURO in 2002, we are keen to raise awareness of the problem underlying all national currencies with a view to focussing on solutions on all possible levels.

Definitions

Money = Cash + Credit

Cash is issued by governments without interest. In Britain, it currently represents 3% of the Money Supply. Credit is issued by banks with interest and represents 97% of the Money Supply.
Interest is charged on national debts and private and corporate credit.
National Debts are incurred by Governments from Central Banks.
Inflation is caused by *compounded* interest which grows at *exponential* rates.

History

The first National Debt was issued to William III by the founder of the Bank of England in 1694: £1.2 million at 8% to fight France. The National Debt principle has been copied world-wide and includes the World Bank. As a consequence, citizens are indebted via their national government, with different per capita rates, and the exception of Jersey and Guernsey since 1722.

The Geo-graphic Level	The Socio-Demo-graphic Level	The Problem	Focussing on Solutions	
 Inter-national	Central Banks National Governments	National debts rise exponentially and more and more countries are unable to pay interest	Jubilee 2000 - the cancellation of third world debts	
National	Government Politicians Economists	**Interest payment is 10 * PSBR (Public Spending Borrowing Requirement)**	The Treasury increases the supply of notes and coins called M0 (M zero) to pay off the National Debt	
 Europe	Political and MEPs	EURO is issued by the European Central Bank as debt to national governments	**UK** Britain models a debt-free zone	**EUROland** EURO models an interest-free currency
Local & global	Business	Debts, Bankruptcies	Barter Companies	
Local & global	Community	Social Exclusion, Poverty, Unemployment	LETS, Time Credits, Credit Unions	
Local & global	Individual & moral	Violence, Wars	Ethical Investments	

You are invited to discuss these issues every Wednesday, 11am - 1pm at the Global Café, a trendy Internet venue near Piccadilly Circus. Please let us know on what level you would like more information.

Campaign for Interest-Free Money

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Greening the Money Supply

A Fresh Look at

National Debt, Total Money Stock and Government Budget

1) The Ratio between National Debt and Total Money Stock

- in 1963 the National Debt was 64% of the total Money Supply
- today the Debt is bigger than the total Money Supply: 84% of the National Debt

2) The Ratio between Interest-Free Notes and Coins from the Government and Interest-Bearing Credit from Banks

- in 1963, the interest-free notes and coins (M0) issued by the Government represented 21.3%
- today the interest-free Money Supply consists of 3.7%

3) The Money Supply

- this year's Government budget represents half of the total Money Supply
- half of the Money Supply is issued by the Bank of England via the Government and half directly from banks in general

4) Annual Interest Payments and Public Spending Borrowing Requirement

- in this year's Government budget annual interest payments on National Debt amounts to nearly 10%
- in this year's Government budget Public Spending Borrowing Requirement (PSBR) is at 1%

5) Per Person Figures

- per person, this means that in Britain, the national debt amounts to **£7729**, annual interest payment to **£423** and PSBR to **£39**?

6) The Mathematics of Compound Interest

- compound interest follows an exponential curve.
I.e. debt increases at the same rate as capital and approaches e^x.

What can you and I do about our Original Debt?

Find out from the
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Every Wednesday 11am - 1pm

We focus on solutions on all possible levels.

Christian mission to the capitalist world

Peter Challen

Strolling down the Strand one day I passed the Vaudeville Theatre. Its placards euphorically affirmed David Hare's 'Skylight'. I was halted in my mission to two people in their work places by the billboard quip, 'the buccaneering capitalist is given many of the best lines'!

The phrase hit upon a feature of our society today. The conventional wisdom applauds almost without discrimination anything that can remotely claim some notion of material wealth creation. There are compelling lines in almost every advert for job or product asserting the unquestioned assumption that capitalism is the only viable system of economic thought But the bold and very widely read Christian, Charles Handy, interpreting faith in the world of business says 'Capitalism is only a tool, and tools are not for worshipping (*The Hungry Spirit* - see Books).

In these circumstances the Christian Mission to the capitalist world is before all else *an ability to question such assumptions.* Because our mission is based on the given possibility of reconciliation between God's inclusive and loving purposes for all creation and our humanity, the questioning must be educational and exploratory, not judgmental or defamatory. It must be fashioned in the hope of redemption. It must be grounded in the love of God for all creation and at all levels of our lives, the intimate, the corporate and the global.

The language we use must be attentive to context. We will achieve nothing by offering or demanding alternative 'encapsulated' models expressed as idealism, self-righteousness or judgement. We will achieve a little by each making tolerant but persistent challenges to the weaknesses or misuses of the system as it is understood; and in so doing, infiltrating the fundamental aspects of the radical change which will have to be achieved if justice is to find its comprehensive place in society (cf CEL's new strategy.)

Hope lies in the sheer numbers of committed men and women informed by good faith making their contribution to the common good from whatever starting point. Each would-be disciple is both a 'jobbing theologian' and 'jobbing economist', who can do their little bit consistently, thereby forming just economic habits and partaking in the build up of economic change - from habit to contagion as it were. This emphasis of mission assumes the importance of the words of St Francis. 'by all means preach the gospel all the time, and sometimes use words' ! It also reflects Fox's Quaker maxim on faithfulness, 'So say, so do.'

Among the emphases of a mission for a renewed humanity, expressed as a just, participative and integrated social, political and economic way of inclusive life for all, there will need to be :-

- the provision a new sense of 'sustainable' proportion, countering extreme short-termism;

- a different time and scale perspective, respecting mistakes of past generations, the vulnerability of our present generation and the rights of future generations;

- sensitive helping of persons and institutions to find 'answerable courages' that we might be honest in terms of maintaining proportion and perspective, especially when our own comforts and vested interests are affected;

and, most fundamental of all,

- a willingness to look at the core of our contemporary devisive monetary system which affects us personally, corporately and globally; and to discover and act upon the specific contribution to transformation that we and those with whom we have won the privilege of critical trust, can make.

Let me elaborate the last emphasis in some notes that I will call 'strategy and tactics for transforming the monetary system'. It is based on the question, which the Christian Council for Monetary Justice is putting to many agencies and individuals 'Are you aware aware of the biblical significance of re-introducing interest free money into the global economy? '

All great faith traditions hold profound insights about interest and inflation-free money as a core component of a just economy. We are challenged in our mission as jobbing theologians and jobbing economists to create an exchange medium that works for everybody and protects the earth. (See Kennedy below)

We must find the appropriate language to wrestle with four basic misconceptions about money:-

1. There is only one type of growth - exponential. We will remind people of linear and natural growth as features of the real world in which human survival is addressed.

2. We pay interest only if we borrow money. We must identify the stark reality that it is included in every price we pay.

3. In the present monetary system we are all equally affected by interest. In *Grace and Mortgage* (see *Books*), Peter Selby, newly Bishop of Worcester, examines why the monetary system ensures that the poor get poorer and that debt permeates every aspect of personal, corporate and global economy today.

4. Inflation is an integral part of free market economies. We must absorb the disturbing evidence that the compounding of interest is 'an invisible wrecking machine' and 'a mindless financial obsession'.

Finding a realistic perspective on these effects, we will need to engender confidence that it is possible to create interest and inflation free money. This involves

a) replacing interest by a circulation fee. At the root of the just monetary system are the concepts of a 'parking fee' and of transaction charges to replace interest.

b) knowing something of, or sources for determining the reality of, model experiments that have been conducted and then suppressed in a number of countries - see Margrit Kennedy, *Interest and Inflation Free Money* (see Books)

c) new thinking about the need for land reform - land should belong to the community and be rented out to users.

d) The need for tax reform, moving us from income to product tax and to include environment impact cost.

We need to understand why change is incumbent upon each of us, beginning where we are. There is evidence of each of these factors in the present distorting monetary system

a) breakdown has occurred, as Kennedy shows

b) further and more severe breakdown may occur

c) another pattern of behaviour seems more adequate

Everybody would be better off in a change driven by (c) - no inflation; increase in social equity; more employment; prices 30-50% lower; initial income boom, then stable economy.

In her detailed examination, Magrit Kennedy shows how there would be benefits for each of these - regions; the rich; the poor; women; faith traditions; business and industry; farmers; ecologists and artists. In pursuit of this economic dimension to mission there are valuable lessons from history, which, again, Margrit Kennedy elaborates.

They are based on the understanding that under an interest free monetary system, 'while monied wealth could not accumulate, real wealth was created'.

We must be convinced that our mission involves evolution to new system, avoiding the temptation and the vain glory of positing revolution. Today we cannot secure security for one state at the expense of another. Security can only be universal, but security cannot only be political or military, it must be as well ecological, economical and social. It must ensure the fulfilment of the aspirations of humanity as a whole. This indicates a demanding mission for any Christian and it will have to focus directly on seeking total graduated monetary reform. (See Donnelly and Peart in this issue)

During a transition period from old models of monetary injustice to new models of justice, that is when in witness and dialogue in the 'mission mode',

- Be informed; increase the awareness of others ; promote the best books.
- Sponsor model experiments
- Partake in or start a Local Exchange Trading System or equivalent ideas of transaction based on social obligation and the contributory ethic (see Organisations).
- Make ethical investments
- Consider the implications of land, money and government upon each other and a just economy upon which we and our descendants all depend.

Peter Challen was for 37 years both Parish Priest and Industrial Chaplain, and now in the freshness of retirement continues in ministry to people at work without the 'institutional drag' that sometimes diverts us from discipleship to churchmanship.

Introduction

The present western economic order, which was born in 1944 at the conference of world powers at Bretton Woods, USA, is half a century old. We have known for a long time that under this system "the poor become poorer and the rich richer," but up until now this problem has normally been associated with the dichotomy between the poorer countries of Africa, Asia and Latin America, and the industrial societies of the rich North. It has also been seen as a matter merely for idealists concerned to help the "Third World." But now more and more people in the East and even in the rich West are sinking into poverty. In the European Union the figure has reached 50 million.[1] A person is defined as poor if he or she receives less than 50 per cent of the average income. Income, however, is only *one* aspect of poverty, even if it is the deciding factor. Alongside income (as we learn from poverty research), one has to take into account a number of other factors.[2] These include work, education, housing, health and social relations, and also personal considerations such as emotional satisfaction, or loneliness, depression, and anxiety. At issue is the uncertainty of being able to meet one's basic human needs. Worldwide this first means food and clothing, although the poor in Western Europe are generally provided for, at least with the bare necessities.

Many people in Western Europe believe that we have a social market economy, and therefore these problems affect us only minimally, if at all. Perhaps we are aware of the pauperisation in the United States under Reagan and Bush and in Thatchers Britain – but could it happen in *Germany*? Of course the transient problems of reunification and the economic recession must be overcome, but the German system is basically a good one and can be usefully applied to other countries – this at least was the sentiment of a report from the German Protestant Church on the subject of the economy. In fact, since the eighties, pauperisation in Germany has been increasing at a great rate – espe-

1 See the report of the German National Conference on Poverty (Nationale Armutskonferenz) in the Frankfurter Rundschau, 20.1.1993.
2 See the methodical approach in reporting on poverty in D. Döring et al., 1990, pp.18ff.

Alternatives to Global Capitalism

Drawn from Biblical History
Designed for Political Action

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taking proceedings against the company, the Swiss authorities arrested Adams and he was sentenced to 12 months imprisonment, suspended for three years, for "industrial espionage." In addition, he was expelled from the country for five years, had to pay his own legal costs and lost his bail. He was blacklisted by Big Business throughout Europe, with the result that his career was in shreds. The EEC also let him down, even though the European Court did in fact fine Hoffmann-La Roche £ 150,000 for breaking the law – a sum that the company could pay out of its petty cash.[48]

This aspect of criminality, even when sanctioned to an extent by the state and the courts, as this example shows, is by no means a secondary problem. Instead, because there is no real distinction between what is legal and what is illegal, it is the expression of a system whose top priority is wealth accumulation.

– The *net result*, summarising the factors mentioned above, along with others, is that in the last decade *the gulf between the owners of financial assets and those dependent on a wage* (and even more so the unemployed and those excessively in debt) *has widened greatly*. Creutz's diagram gives a good overview, showing clearly that in contrast to the nominal gross national product, which by 1990 had increased to 3.6 *times* its 1970 level, net wages only increased by a *factor* of 2.9, and per capita income by a factor of 2.6, while interest earnings rose by a factor of 6.8 (see next page).[49]

It should be noted here that nearly 50 per cent of the total assets included in the calculations are owned by the richest 10 per cent of households (and hardly any information on foreign assets held by German nationals is included here), whereas the poorest 50 per cent of households own barely 2.5 per cent.[50] Women are under-represented among the wealthy.[51] The same distribution has spread, following German reunification, from eastern to western Germany,[52] due to the national policies of the ruling conservative-liberal coalition (see diagram 2).

48 H. See, op. cit., pp.110ff.
49 Creutz, 1993, p.226.
50 Huster, 1993, pp.14 and 21.
51 See A. Weinert in the Frankfurter Rundschau, 26.8.1993.
52 See Hickel, Huster and Kohl, 1993; see also E.-U. Huster's short summary of the distribution mechanisms from the bottom upwards and from East to West, in the Frankfurter Rundschau, 19.1.1993.

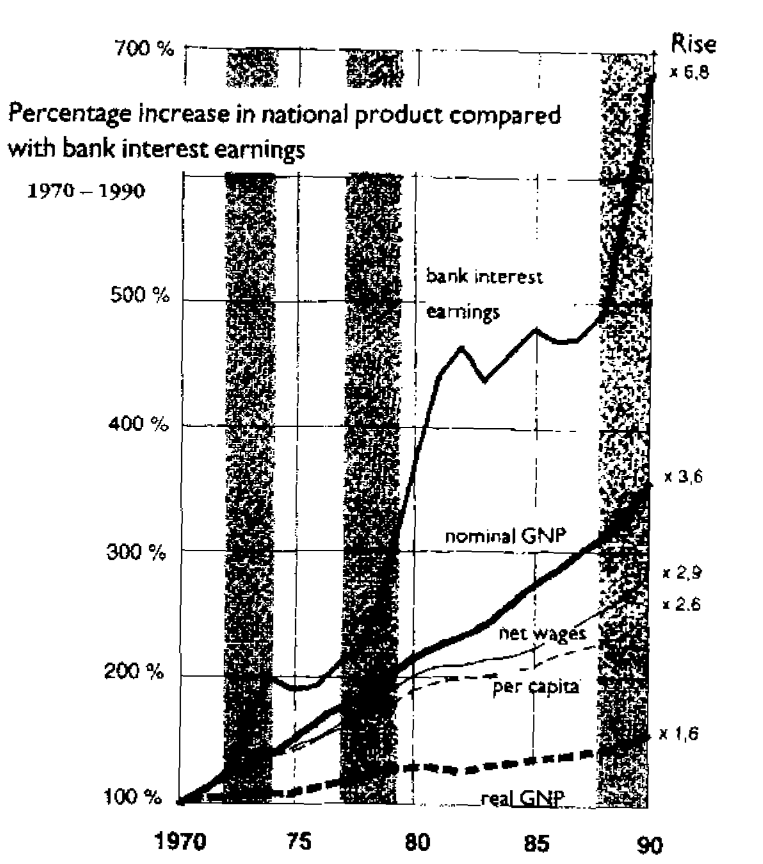

Diagram 2: Percentage increase in national product compared with bank interst earnings *Source: Creutz, H., 1993*

– The final question is that of the role and *opportunities* for the nation-state and democracy in the current money-dominated global capitalistic system.[53] Is it a pure coincidence that the Keynesian welfare state has been progressively dismantled since the mid-1970s? One could be forgiven for thinking that it was a purely political shift of power that caused these processes of redistribution from South to North, from bottom to top and from East to West. However, the global nature of this development casts doubt on this theory. Indeed,

53 See R.B. Reich, 1992.

however distasteful and unjust they may be in themselves, because they are tremendously useful in promoting the accumulation of capital, we shall then be free, at last, to discard.

Of course there will still be many people with intense, unsatisfied purposiveness who will blindly pursue wealth—unless they can find some plausible substitute. But the rest of us will no longer be under any obligation to applaud and encourage them. For we shall inquire more curiously than is safe to-day into the true character of this "purposiveness" with which in varying degrees Nature has endowed almost all of us. For purposiveness means that we are more concerned with the remote future results of our actions than with their own quality or their immediate effects on our own environment. The "purposive" man is always trying to secure a spurious and delusive immortality for his acts by pushing his interest in them forward into time. He does not love his cat, but his cat's kittens; nor, in truth, the kittens, but only the kittens' kittens, and so on forward for ever to the end of cat-dom. For him jam is not jam unless it is a case of jam to-morrow and never jam to-day. Thus by pushing his jam always forward into the future, he strives to secure for his act of boiling it an immortality.

Let me remind you of the Professor in *Sylvie and Bruno*:—

"Only the tailor, sir, with your little bill," said a meek voice outside the door.

"Ah, well, I can soon settle *his* business," the

Professor said to the children, "if you'll just wait a minute. How much is it, this year, my man?" The tailor had come in while he was speaking.

"Well, it's been a-doubling so many years, you see," the tailor replied, a little gruffly, "and I think I'd like the money now. It's two thousand pound, it is!"

"Oh, that's nothing!" the Professor carelessly remarked, feeling in his pocket, as if he always carried at least *that* amount about with him. "But wouldn't you like to wait just another year and make it *four* thousand? Just think how rich you'd be! Why, you might be a *king*, if you liked!"

"I don't know as I'd care about being a king," the man said thoughtfully. "But it *dew* sound a powerful sight o' money! Well, I think I'll wait——"

"Of course you will!" said the Professor. "There's good sense in *you*, I see. Good-day to you, my man!"

"Will you ever have to pay him that four thousand pounds?" Sylvie asked as the door closed on the departing creditor.

"*Never*, my child!" the Professor replied emphatically. "He'll go on doubling it till he dies. You see, it's *always* worth while waiting another year to get twice as much money!"

Perhaps it is not an accident that the race which did most to bring the promise of immortality into the heart and essence of our religions has also done most for the principle of compound interest and particularly loves this most purposive of human institutions.

I see us free, therefore, to return to some of the most sure and certain principles of religion and traditional virtue—that avarice is a vice, that the exaction of usury is a misdemeanour, and the love of money is detestable, that those walk most truly in the paths of virtue and sane wisdom who take least thought for the morrow. We shall once more value ends above means and prefer the good to the useful. We shall honour those who can teach us how to pluck the hour and the day virtuously and well, the delightful people who are capable of taking direct enjoyment in things, the lilies of the field who toil not, neither do they spin.

But beware! The time for all this is not yet. For at least another hundred years we must pretend to ourselves and to every one that fair is foul and foul is fair; for foul is useful and fair is not. Avarice and usury and precaution must be our gods for a little longer still. For only they can lead us out of the tunnel of economic necessity into daylight.

I look forward, therefore, in days not so very remote, to the greatest change which has ever occurred in the material environment of life for human beings in the aggregate. But, of course, it will all happen gradually, not as a catastrophe. Indeed, it has already begun. The course of affairs will simply be that there will be ever larger and larger classes and groups of people from whom problems of economic necessity have been practically removed. The critical difference will be realised when this condition has become so general that the nature of one's duty to one's neighbour is changed. For it will remain reasonable to be economically purposive for others after it has ceased to be reasonable for oneself.

The *pace* at which we can reach our destination of economic bliss will be governed by four things—our power to control population, our determination to avoid wars and civil dissensions, our willingness to entrust to science the direction of those matters which are properly the concern of science, and the rate of accumulation as fixed by the margin between our production and our consumption; of which the last will easily look after itself, given the first three.

Meanwhile there will be no harm in making mild preparations for our destiny, in encouraging, and experimenting in, the arts of life as well as the activities of purpose.

But, chiefly, do not let us overestimate the importance of the economic problem, or sacrifice to its supposed necessities other matters of greater and more permanent significance. It should be a matter for specialists—like dentistry. If economists could manage to get themselves thought of as humble, competent people, on a level with dentists, that would be splendid!

From: John Maynard Keynes
'Essays in Persuasion'
Norton & Co
New York, Published 1963

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(c) To develop a participatory democratic socialist order of society based on mutual service, not private gain.

(d) To bring a Quaker influence to bear on the socialist movement.

(e) To work for a corporate Quaker Social Testimony.

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Newsletter of the Quaker Socialist Society, Autumn 1997

CHALLENGING CAPITALISM

JONATHAN DALE, 1996 Swarthmore lecturer, former clerk of Quaker Social Responsibility & Education Central Committee, (QSRE) addressed Quaker socialists at Yearly Meeting, saying that capitalism presents a challenge which contemporary Quakers seem unable to face yet.

In a document handed out at the close of the first of two YM sessions on 'The Spiritual Basis of Our Social Testimony', QSR&E Friends had used the many contributions from individuals and groups in the Yearly Meeting (including QSS) to draw up "An Expression in words of Britain Yearly Meeting's corporate Social Testimony, drawn from its experience and understanding at this time." * It is an inspiring four-page statement on our living witness to simplicity, stewardship, peace, equality and community, integrity and truth, referring to 'the modern industrial economy' and 'the global economy' but avoiding the word 'capitalism'. This, Jonathan said "sits curiously with our testimony to truth, but the issue is still a sensitive one for Friends."

In the nineteenth century, when Friends were powerfully incorporated into the capitalist system, other Friends maintained an important critique, particularly between the 1890s and 1930s, even at a time when there were large numbers of Quaker employers. Today, "we are only beginning to come to terms with how we challenge a capitalism which has gone back to many of the excesses of earlier times.

"What Friends said in their attack on capitalism in the 1920s was very much that we need a system which meets basic human needs and doesn't prioritise unnecessary consumption of luxuries. That is exactly the extraordinary situation we have in Britain today: in all sorts of ways the services of the country have been stretched and have declined – from library services to public parks and the state pension.

(continued on page three)

QSS AGM – *Do Come*

THURSDAY, DECEMBER 4th 6.30pm

at QUAKER INTERNATIONAL CENTRE, 1 BYNG PLACE, LONDON WC1

Agenda includes appointment of committee for 1998, future plans and discussion on prospects for socialism under Britain's new government.

ABOLISH USURY

says John Courtneidge

For some time, I've been convinced that all the world's problems will be solved by abolishing usury (the practice of charging interest on money that is lent out for use).

Lots of people have asked me to summarise my arguments in favour of the necessity for the abolition of usury. I'll list those that have occurred to me and I'd be grateful to hear of any others and any comment that you may have!

The Thermodynamic Argument: Money can be regarded as a representation of energy, and, as such, it's flow should conform to the Laws of Thermodynamics (the natural laws which seem to govern all actions in the physical world).

These laws tell us that heat flows from a hot body to a colder one. Money flows the other way: the rich get richer and the poor get poorer. It's predominantly usury which causes this.

The Ecological Argument: All money is owned by some-one. All these owners expect a return on their capital. As a result, the Banks are forced (by us!) to find borrowers (if they can) for all the world's capital.

This has two consequences: firstly, as capital is employed in creating wealth, both materials and energy are consumed. This accelerating level of consumption (just like the disease of the same name) results in pollution of one kind or another. Secondly, as the wealth is created, more money is created (ignoring yet the artificial creation of banking credits) and this results in still faster consumption of the world's finite resources. Given a world of finite size, this is clearly unsustainable.

The Peace Argument: The most profitable manufacturing activity has always been war-manufacturing and so the Banks (the argument goes) have historically fulfilled their need to find borrowers largely through the financing of wars.

This argument therefore has it, that it's the Banks that create wars or, more accurately, the pressure that we, as bank depositors, unwittingly, force the Banks to do so. In reality, it is the mechanism of usury that does this.

In a word: selling guns makes money, as does (better still) using them.

The Moral Argument: Life is a cascade of flowing energy and matter (food chains). One species predates another: as grass harvests sunlight, cows harvest grass, we harvest cows, bacteria harvest us.

Apart from humans, however, I'm not aware of any species that predates it's own kind. Usury is the mechanism by which modern people predate one another (more accurately, modern rich people predate modern poor people).

As such, usury is immoral: I believe that we all, through our shared, key human value of fairness, believe that it is wrong for one man (or woman) to exploit another man (or woman).

(Continued on page 10)

(Continued from Page 10)

There is biblical precedent for this (Psalm 15) and plenty of prohibitions of usury in the other revealed religions (Judaism and Islam).

The Art in Everything Argument: The operation of compound interest dictates that borrowers try to return their borrowings as quickly as possible. This creates short-termism in manufacture and, so, art is sacrificed to expediency.

Since a thing of beauty is a joy forever, we ought to be making things which are long-lived, rather than being forced into promoting the ephemeral.

The Centralisation of Power Argument: Usury centralises money, and therefore power, in capital cities, where people are removed from contact with their home communities and with nature.

Disadvantaged people collect close to the power centres, in order to redress the power imbalance. In doing so, they, too, are removed from community with nature and are prone to be drawn into conflict of all kinds (hence the creation of political conflict, revolutions, urban poverty and crime).

The Survival of the Species Argument: The real enemies of humans are the micro-organisms (viruses, bacteria etc). Through the past two or three hundred years, we have developed powerful techniques to promote our survival against these our natural parasites. Public health measures have moved forward because of the efforts of long-term scientific research.

I stress long-term research.

The drive for increasingly shorter-term cycles for the payment of bank loans has resulted in the virtual abolition of long-term research.

Thus, without long-term, interest-free investment, developments in public health will disappear and our long-term health (the health of urban individuals, their societies, the environments that they inhabit and the rest of the planet) will collapse.

So, survival of the individual, the planet, all the other creatures with which we share the planet, urban culture, rural life, art, science, spiritual growth, peace. All would seem to benefit by working with the laws of nature, rather than against them.

Usury is un-natural. It ought to be abolished.

I hope this helps us along the path.

(The author is a member of Hertford meeting and town councillor).

QSS members wishing to have further information should contact the Christian Council for Monetary Justice, 20 Nan Nook Road, Manchester. M32 9BZ

New Initiatives for Public Finance

John Courtneidge and David Soori describe their reasons for initiating a new campaign to raise public awareness and understanding about the impact of global money-lending and possible counter-action

MONEY LENDING FOR profit (usury, or, in Islam, Riba) is the most insidious of the five ways in which wealth flows from poor, working people, to the rich.

Of the other four, theft in the form of covert privatisation of money creation — has been added to usury by the modern banking system, in the form of something called 'Fractional Reserve Banking'.

Using Fractional Reserve Banking, the Commercial Banks multiply up tiny actual money deposits, in order to make interest-bearing 'Lines of Credit'.

This book-keeping scam — now largely a computer recorded scam — creates interest-bearing debt, quite literally, out of nothing.

For this reason, all attempts to pay off the ocean of debt in which poor and working people are drowning are futile.

Since about 97% of all 'money' now in circulation is this so-called 'Debt-money' (ie computer-generated, interest-bearing, for profit 'credit'), some people, somewhere — be they individuals, families, communities, companies, countries — are kept in debt.

For capitalist economics to function, debt has to exist. That said, this insidious, immoral (though legal) system of 'Debt money as interest-bearing credit' has built into it, the mechanism for its own destruction, and it is this — the Achilles Heel of capitalism — that Social Action is now working upon.

The scam is now becoming well documented and discussed. The Forum for Stable Currencies (involving The Campaign for Interest-free Money, in co-operation with Parliamentarians and other concerned organisations and people) introduced an Early Day Motion in the last Parliamentary session (EDM 1515: http://edm.ais.co.uk/weblink/html/motion.html/ref=1515), and another in the session just closed (EDM 854: http://edm.ais.co.uk/weblink/html/motion.html/ref=854).

These actions raise the nature of the problem, call for its eventual abolition, and show how a more moral, ecologically sustainable, and socially beneficial system can be put in its place.

The suggestion in both of these EDMs is that The Bank of England be required to de-privatise this money -creating activity and remove its debt and interest aspects, so that it can be used (within its, already established, low-inflation targets) as a means of providing interest-free credits for socially beneficial purposes (public, non-debt, interest-free financing) such as housing, hospitals, schools, transport, green energy schemes, and so on, bringing an end to PFI,/PPP scams, and their like.

Moreover, since interest charging and globalised privatisation and profiteering results not only in transferring wealth from the many poor to the relatively few rich but consequentially in trashing the planet, this process will slow down and may be reversed.

As a consequence, we call to all social activists, trade unionists, democratic socialists, co-operators, and all such people of good will, to support these moves — and encourage their MPs to do likewise.

Can we get rid of PFI and debt? Of course we can!

The Campaign for Interest-free Money, 13 North Road, Hertford, Herts SG14 1LN
or email Richard Greaves on rgreaves@supanet.com