The Greek Money Solution

by

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The problem for Greece is that there is a lack of money that is circulating. The blinkered person sees the problem as a 'lack of money'. The bright person sees it as a 'lack of circulation'. Averaged, there are 4300 money tokens per Greek in folding notes and a further 10600 virtual tokens in bank accounts. Almost all of this money sits idle in bank accounts. On average, a money token changes hands once each year. It gets a few minutes of excitement then sits idle for 364 days.

Humans live by exchanging goods and services. A kind ancestor invented the money token to assist the trade between humans. This was a lot easier than carrying around a cow. Humans need money tokens and they have to change hands. If the money tokens do not move, there is no trade. The tokens have to exist and they have to move. In Greece there are 14900 tokens per citizen but they only change hands on average once each year. Very few Greeks have €14900 to their name. Most of this money is sitting idle in the bank accounts of people with 'more money than they can spend'. It is not the wealth of the wealthy that is the problem. It is the hoarding of the circulating medium that is preventing economic activity. Some tokens may change hands rapidly, but most tokens sit idle in bank accounts for years on end. My calculations are that 92 percent of the money in Greece hibernates in bank accounts and only 8% changes hands with any regularity. A few minor changes to the tax system will turn the economy into an Olympic champion. Allow me to explain.

2017-03-19

This is an abridged version of "Dogs in Fur Coats. The Greek Money Solution."

It is set up for self printing 'back to back' on A4 paper in booklet form.

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The problem with the Greek Money system is that there is a lack of money that is circulating. The simple person sees the problem as a 'lack of money'. The bright person sees it as a 'lack of circulation'. Humans live by exchanging goods and services. A kind ancestor invented the money token to assist the trade between humans. This was a lot easier than carrying around a cow. Humans need money tokens and they have to change hands. If the money tokens do not move, there is no trade. The tokens have to exist and they have to move. In Greece there are 14900 tokens per citizen but they only change hands on average once each year. Very few Greeks have €14900 to their name. Most of this money is sitting idle in the bank accounts of people with 'more money than they can spend'. It is not the wealth of the wealthy that is the problem. It is the hoarding of the circulating medium that is preventing economic activity. My calculations are that 92 percent of the money in Greece sits idle in bank accounts and only 8% changes hands with any regularity. A few minor changes to the tax system will turn the economy into an Olympic champion. Allow me to explain.

Oh, and by the way, on average, each Greek owes €21000 as private debt and €29000 as government debt!

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Chapter 1 The Strangling of the Money Supply

The initial assumption is that there is a need to raise the level of the Money Supply in Greece. This is a wrong assumption. I have already written a book on the problems caused by the hoarding of money. I will tease you through my thinking until you work it out for yourself.

In a Land called Nod, there lived a king called Pin. King Pin minted the money. He would allow people to give him silver and he would mint the silver into one-ounce silver coins. He retained a sovereignty of half. If the people gave him two ounces of silver, he would keep one-ounce and return to them one highly polished silver one-ounce coin. The kingdom existed but the people were poor. Money was in short supply. There was plenty of work to be done. There was plenty of hungry people. There was insufficient coinage to effect the transactions.

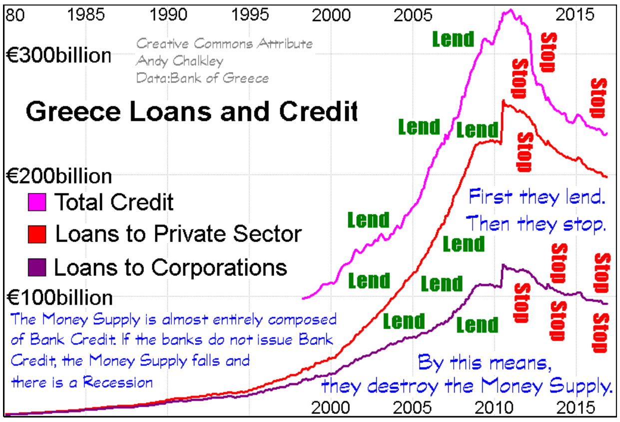
Ping's treasurer came to him in a begging manner: "Please, King Pin. Release more coins. The people are very hungry and miserable. There is a shortage of money. They are leaving the farms because they cannot buy the seeds for next year nor the fodder for their animals. They are so poor they are selling their daughters into slavery. If they can find no buyer for the baby girls, they kill them." The king accepted and issued more coins by turning some of his accumulated silver into coins. He spent these on roads, bridges, and ports for his kingdom. He also reduced the sovereignage to ten percent. If the people gave him eleven ounces of silver, he returned ten new silver coins. Money became plentiful. People were eating well. The daughters grew to have education and good families. They began to love their king and praised him as a wise man.

Humans live by trading goods and services. Money is the transport mechanism. Money was invented to facilitate that trade. Money is not a perfect invention. It has been problematic ever since it was invented. Silver has few uses as a material. Silver was only in use as money if it had the king's stamp on it. Silver has limited value when it is dug up and has minimal commercial use. Precious metals generally get stuck in dark vaults doing nothing. Our silver only has value because someone decided to stamp a king's head on it and use it as the medium for transactions. If someone had not stamped king's heads on it, the silver would have been left in the ground. The requirements of a money system is that there is sufficient transport medium so that the transactions can occur. When there is a shortage of tokens, the transactions are curtailed. The economy is strangled by a shortage of circulating medium. Famine and hardship occur. The common assumption is that the number of tokens needs to be increased, but this is simplistic thinking. There is another solution. Your mind will play tricks on you and you will drift back to inappropriate wisdom and believe that the supply of tokens needs to be increased. There is a world of difference between:

'There is a lack of circulating medium'
and:
'There is a lack of medium that is circulating'.

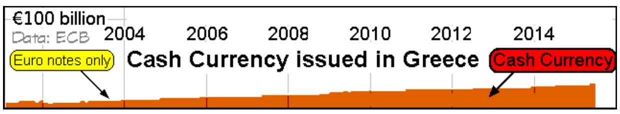
Money was not invented by nature. Money does not naturally occur. Money does not naturally look after itself. If we damage the money system, we return to foraging for food with added violence. Money needs to be carefully managed. We are remarkably poor at managing money systems. We are still in the experimental stage of money. We left Africa around two million years ago. We invented money around seven thousand years ago. We have used money for less than one percent of our existence as humans. Money has allowed immense progress but has also caused immense damage, poverty, destruction, and war.

We now look at a country that is making an elementary mistake. You might realize the mistake before I tell it to you. This country has actually paid back much of its debt but has just about destroyed itself in so doing. It has paid back more debt than any nation in Europe. It did not do it intentionally. It was denied further credit. It kept paying back loan repayments in a manner that cleared much of its debt. This graph shows that the moneylenders stopped the supply of credit in Greece.

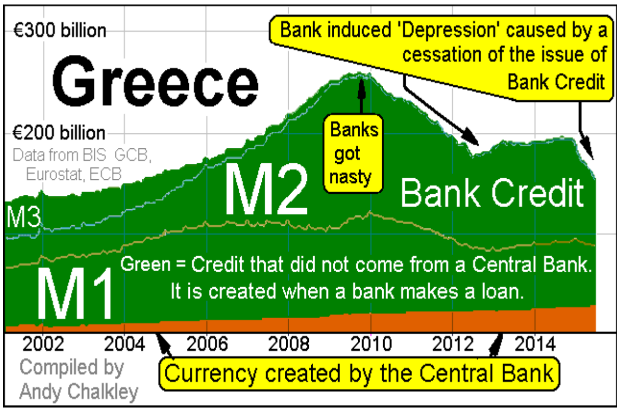


The moneylenders were lending vigorously up until 2008. The economy was flourishing. Unemployment was steady and decreasing. Tax Revenue was increasing respectably. Then the moneylenders dramatically cut their lending. This caused a massive fall in the Money Supply. Greece did not cause its financial crisis. The crisis was caused by an artificial fall in the volume of money tokens in circulation.

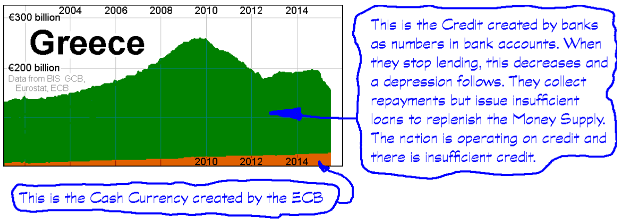
This next graph is remarkably normal. It is the Cash Currency folding notes created by the central bank. It is the total of the paper notes issued by the central bank for use in Greece. The central bank has issued no more notes in Greece than are shown in this graph:



The above graph is a perfectly normal steady state of affairs. The graph shows a slow and steady rise in the volume of the Euro paper folding notes. The Cash Currency has increased at approximately 11% per annum over the last ten years. However, there is more to the Money Supply than just the Cash Currency. Cash Currency is only 18% of the Money Supply in Greece. The Money Supply consists of the Cash Currency plus the credit in bank accounts. The credit issued by banks is shown in green in the next graph.



In the above graph, the orange is the Cash Currency which is the Euro paper notes created by the ECB. The ECB only creates the orange part. The banks create the green part when they lend credit. The green is the credit as listed in bank accounts. The green did not originate from the ECB. Only the orange part came from the ECB which 18% of the Money Supply.[2] The green 82% is credit in bank accounts.[2] When the banks cut the issue of credit, the green disappears and the nation suffers. The green has fallen from €242billion in December 2009 to €128billion in June 2015. This is a fall of 47%.[1] If we were running on Cash Currency, this would not happen. If we rely on bank credit, we suffer when the banks cut the volume of credit. You can see that the credit lent by the banks was plentiful until international banks nearly imploded the finance system in 2008. The supply of credit became strangled. This strangled the economy, like a green hosepipe with a kink. Destruction of the credit section of the Money Supply caused the recession.



To stop the dangerous practices of the Investment Banks from bringing down the money system, it is necessary for the USA and other nations to urgently implement a replacement set of Glass-Steagall laws. Do the world a favor and read up on Glass-Steagall.

The green is credit for euro notes that do not exist. Payments are effected by reassigning credit from one customer to another. Banking is essentially book-keeping. When one pays using cash, one hands over the paper euro note. When one pays using credit in a bank account, the bank reassigns the credit to the seller using the magnificent bank payments system. The Commercial Banks operate the payments system with giant computers. The modern world relies heavily on this payments system operated by Commercial Banks. Modern life would not be possible without the payments system operated by Commercial Banks.

The effect of refusing to issue fresh credit is to destroy the volume of credit. The nation is being run on credit and there is a short supply of credit. The Cash Currency has not fallen. On the contrary, Cash Currency has performed beautifully whilst the banks have destroyed 47% of the credit in the Money Supply. [1]

The effect of the steady increase in lending was a steady rise in the volume of credit in Greece. This occurred up until 2008. The majority of money in the Europe is credit in bank accounts which did not originate from the ECB. The banks were lending more than they were collecting in repayments. This caused the Money Supply to rise. The steady rise in the Money Supply gave the nation a healthy expanding economy. After 2008, the banks ceased the issue of credit. The result of the lending cutback was a fall in the volume of credit in the Money Supply. The banks were collecting more in repayments than they were lending. This next graph shows the level of debt in Greece. Like every nation operating under a debt banking system, the debt is unpayable. It is also uncollectible.

The banks have created more debt than can be paid. There is more debt than the banks can collect. It is the same in every country in Europe. The difference is that Greece actually paid off some of its debt. No other country in Europe has achieved this remarkable level of repayment.

The drastic fall in lending also caused the Greek debt to fall. You might also notice that the debt exceeds the volume of money. It is impossible to pay off the debt because there is 'more debt than money'. Any attempt to pay off the debt would destroy the vital circulating medium. The creditors have created a situation where they cannot collect their debts without further loans being created. The debt vastly exceeds the capacity to pay. An impossible contract has occurred. The banks are insolvent because their debts cannot be collected. There is no choice for the banks but to extend further loans. The banks need to lend further money to bailout the banks. Banks have clearly lent money that can **never** be repaid. They will try and put conditions on these loans but these conditions can be ignored because they have to lend more to prevent Greece calling the bluff of the banks. The world needs Greece to pay otherwise it would create a problem where other nations might also refuse to pay. This would collapse the euro system. It would collapse the banks. The banks will collapse before Greece collapses. Greece has to favor the banks and pay. If Greece fails to pay, Greece will survive but the banks will not survive. King Edward the third of England refused to pay the Venetian bankers in 1342. This collapsed the Venetian money system in 1345 which led to the death of around one-third of the population of Europe. You may be shouting for King Edward the third, but the result was a collapse of the banks. "Hurrah", you might shout, but the collapse of the banks collapsed the money system and one-third of the population was extinguished. Evil influences setting Christian against Christian in the First and Second World Wars did not achieve that level of death. A collapse of the money system is worse than war.

A collapse of the money system is worse than the debt. I will reword this. King Edward the third of England refused to pay the Venetian bankers in 1342. England survived but the Venetian banks did not. However, the collapse of the money system caused one-third of the population of Europe to die. Refusal to pay the banks may kill the banks, but the repercussions may kill you. If Greece refuses to pay the banks, Greece will survive but the money system may collapse. The collapse is infinitely worse than paying the bankers their 'pound of flesh'.

We can live with debt. We can live with unpayable debt, but we cannot live with collapse.

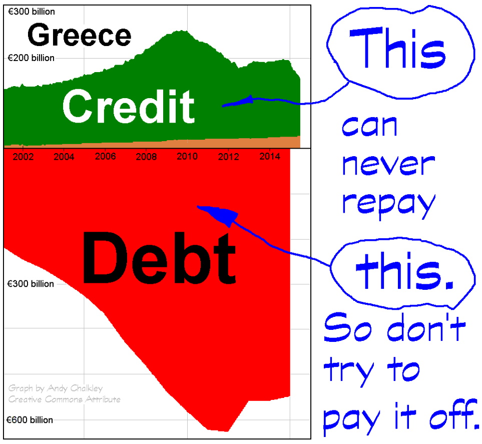
We cannot live because there are no tokens with which to trade. The Greek government can pay 'as and when' it wishes because the banks that created the impossible debt are in fear of a Greek refusal to pay their computer entries. Greece is in the stronger position with regards to payment. The debt is impossible to pay without further loans, so there has to be further loans. These are given descriptions like 'bailout' to suggest that it is the fault of the Greek government. The suggestion is that it is a bailout for the nation. It is actually a bailout for the banks. If the banks don't create and lend further credit, the whole bank money system collapses. Greece will be given loans simply to prevent a collapse of the banks. When the banks reach the limit of asset stripping, they can obtain no more from the nation. It is not possible to pay back more than exists. This is not a new phenomenon. Moses made rules about the topic. Jesus spoke against what the Christians call 'Usury'. Mohamed was a trader and made very stringent rules on what the Muslims call 'Riba'. Usury played a prominent role in the collapse of the Greek Empire.

[1] Data for 2009.99: M3=261.09 Cash Currency=19.122. Data for 2015.5: M3=153.782 Cash Currency=26.209 Result = 100*((261.09-19.122)-(153.782-26.209))/(261.09-19.122)=100*(241.968-127.573)/241.968 Result=47.27691265%

[2] 2016-11 M3=162 EUR billion. Nov 2016-11 M0=28.6 EUR billion. Therefore bank credit =133.4 EUR billion. Percent Cash Currency = 28.6/162 = 18%. Data: Trading Economics.

Chapter 2 - A Closer Look

The IMF lent significant billions of Euro to Greece. Where did the IMF get the billions that it lent? The money was not sitting in an account the day before. The money did not originate from the ECB. The IMF simply wrote the numbers in a ledger, told Greece that they now had bank credit, and demanded repayment with interest. What is interesting is that Greece had to be bailed out. It could not be allowed to refuse to pay as that would demonstrate the virtual origins of the money they were lent. Is the IMF operating for the profit of its shareholders or is it operating for the benefit of the nations of the world?



Never forget that money is a freely created commodity. It costs nothing to create money. You cannot understand money until you realise that money has no value. It simply has to hold the value of the previous transaction until the next transaction occurs. Money can be printed on paper or numbers can be added to computer registers. Banks can lend out any amount of money because they create credit by typing numbers into a computer screen. Banks do not create money, they create credit. Banks do not lend money, they lend credit. You ask for a loan. They put 'credit' in your account. They put credit in an account for money that does not exist. The bank credit money system works provided the banks issue sufficient credit. In the case of Greece, insufficient credit has been issued since 2008. From a Canadian horse’s mouth:

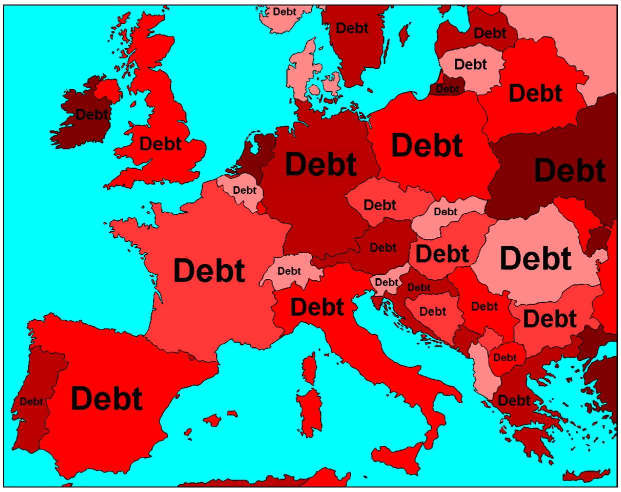
> **Banque du Canada:** “Some people ask why the Bank of Canada can’t directly increase or decrease the Money Supply at will, since it regulates the supply of paper currency in circulation.
>
> The answer is that the banknotes issued by the Bank represent only a small portion of all the money circulating in the economy at any one time.” [4]

The ECB states on it website: “The ECB has the exclusive right to authorise the issuance of banknotes within the euro area.” They only have the exclusive right to issue banknotes. Interestingly, nowhere on their website does it say that they have the “exclusive right to create the money of Europe”. [2] This is clever wording because it allows private banks to create credit in any quantity. The private banks cannot create banknotes but they can create credit equal in value to banknotes.

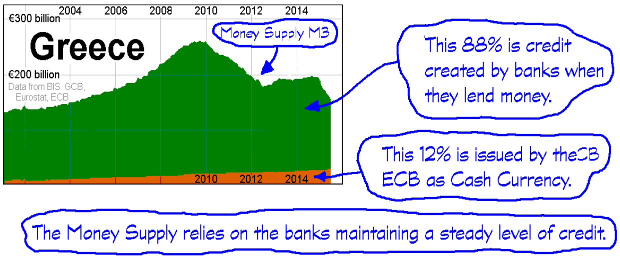
The IMF cannot create banknotes, but it can create €30 billion, provided it only creates it as credit. The €30 billion is credit for €30 billion in banknotes that do not exist. The IMF cannot give you €30 billion in banknotes because it does not have €30 billion in banknotes. The IMF would have difficulty getting €30 billion in banknotes. It would have to use €30 billion of its own assets to purchase the €30 billion in banknotes from the ECB, which it would not want to do. The IMF can write €30 billion in an account against your name. It did not need to contact the ECB. It does some simple bookkeeping. It writes €30 billion with a plus sign in one account and €30 billion with a minus sign in another account. In a collusion arrangement with other banks, the credit can be transferred to entities that you owe money to. You can transfer the €30 billion to someone that you owe money to and you owe €30 billion plus interest to the IMF. The backing for the €30 billion that it lends you is your agreement to repay. This system works and has done so for many years. Have a look at this table with data on government debt. There are a few gaps where I struggled to find data. The government debt for each country is only part of the debt owed to moneylenders. There is also the private debt which is the money owed to banks by businesses and individuals. Much of this is mortgages. In a mortgage, your own asset is used as the backing for the credit created by the bank. The bank creates credit using the assets of its customers as backing. Look for something unusual in the table.

2014	**Money Supply**	**Government Debt**	**Private Debt**
	€ billion	€ billion	€ billion
Belgium	€522	€557	€818
Bulgaria	80 BGN	€11.6	?
Czech Republic	3882 CZK	1836 CZK	3814 CZK
Denmark	687 DKK	647 DKK	4675 DKK
Germany	€ 2797	€2170	€3183
Estonia	€1.4	€2.1	?
Ireland	€215	€203	€500
Greece	€162	€317	€231
Spain	€1199	€1034	€1930
France	€2255	€2038	€3833
Croatia	83 HRK	289 HRK	?
Italy	€1458	€2135	€1957
Cyprus	€ 23	€18.8	?
Latvia	€12 (M2)	€9.6	?
Lithuania	€24	€14.8	?
Luxembourg	€335	€11	€230
Hungary	19940 HUF	25430 HUF	36080 HUF
Malta	€17	€5.8	?
Netherlands	€894	€451	€1574
Austria	€306	€278	€473
Poland	1265 Zloty	203	1396 Zloty
Portugal	€190	€225	€359
Romania	314 RON	255 RON	?
Slovenia	€22.7	€30	?
Slovakia	€56	€40.3	?
Finland	€158	€121	€354
Sweden	2992 SEK	1347 SEK	9748 SEK
United Kingdom	£2636	£2055	£2899
Norway	2028 NOK	596 NOK	6785 NOK
Euro area (19		€9292.6	
EU (27 countries)		€12058	
EU (All Sectors)	€10304		€16592
Total Debt Europe			€28650.4

Source: 2014 Government Debt from Eurostat, 2014 Private Debt from BIS, 2015 M3 from Trading Economics. This was tedious to put together. There may be transposition errors, errors in the source data, and unit errors. Use this as a comparison exercise only.



You may have noticed that all these countries are in debt. None are in credit. All countries are in debt. Have a look through this table. Is there a nation that can pay off its debts? If they attempted to pay off the debt, they would have no circulating medium in the economy. Money is a freely created commodity, but all nations in Europe are in debt.



The CIA World Fact Book describes the situation in Greece in this way: "The Greek economy averaged growth of about 4% per year between 2003 and 2007, but the economy went into recession in 2009 as a result of the world financial crisis, tightening credit conditions, and Athens' failure to address a growing budget deficit." The fact book blames the recession on the "world financial crisis" as if it was the fault of the 'world' and not the banks. They also mention "tightening credit conditions" which is a smart way of covering for the bank's failure to maintain an adequate level of credit in the Money Supply. "tightening credit conditions" means a moneylenders refusal to issue credit. This refusal caused a disastrous fall in the supply of credit. The banks have been careful to promote their situation with statements such as: "keep the central bank free from political influence". The government lost influence over the Money Supply a long time ago. The suggestion is that the fault lies with the government and the people. Yet, 82% of the Money Supply is the credit supplied by banks. Only 18% of the Money Supply is Cash Currency supplied by the ECB.[3] Bank's lending practices have over four times the influence on the Money Supply compared to the measly supply of paper notes issued by the ECB. The moneylenders simply destroyed the Money Supply. The government had its hands tied behind its back. Even if the government had some financial levers to pull, the politicians rely on the 'advice' from the generous hearted bank lobby.The budget deficit was not a failure on the part of the government. The banks stopped lending. The Money Supply fell. Credit dried up. Business dried up. Tax collection from dead businesses dried up. Tax collection from out-of-work citizens dried up. Less tax was collected. The deficit increased. The government got the blame when it was all due to the actions of the banks and their destructive lending habits.

The Deficit

Up until 2008, the budget deficit was a little on the high side but not excessively so. Typical analysis rather assumes that deficit is a bad thing. This is an erroneous assumption. The government is responsible for ensuring that there are sufficient tokens circulating in society to enable the trade between humans that sustains city life. Years ago, when governments created the circulating medium, the government would create fresh tokens and spend them into society. Taxation occurred to prevent an oversupply of tokens. Remember that tokens can be created in any quantity at no cost. At that time, taxation was not revenue because fresh tokens could be created by the treasury in any quantity on an as-needs basis. When King Charles lost his head and William of Orange agreed to borrow money instead of creating money, the money game changed entirely. A brake was put on the government spending. The government is responsible for ensuring that there are adequate tokens in society even though it has no way of achieving this. Taxation is now called revenue which implies that revenue is income, which it is not. However, we are stuck with this conundrum and an economics fraternity that believes what it was taught. Deficit is not an evil. Deficit is natural. Deficit is normal. An excessive deficit is a problem. I have no definition of 'excessive' at this stage. Let me guess at five percent of something. The something is possibly the GDP, but even that is a bit wobbly. If the volume of credit provided by the banks is insufficient, then it is incumbent on the government to increase the volume of money tokens. The government has no direct avenue to do this. It can increase the difference between expenses and taxation. Unfortunately, this is called 'deficit' which has a negative connotation. Deficit is good, not bad. Deficit demonstrates government determination to increase the circulation and push the economy. When the banks stop the supply of credit in a manner to cause hardship, deficit is a sign of a responsible government. When the banks irresponsibly stop the supply of credit, the government needs to act quickly to bolster the economy by deficit spending or by taxing Hoarded Money to enhance the volume of circulating money. Unfortunately, banks and economists encourage the opposite.

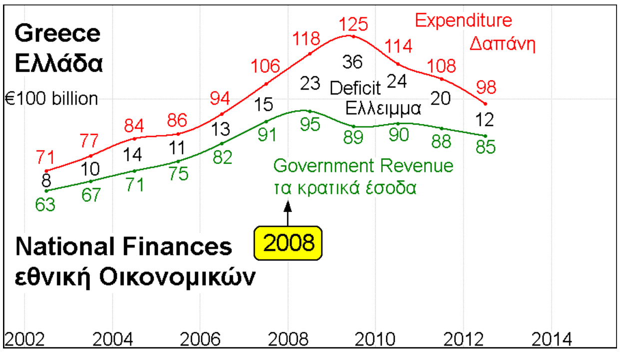
When the banks destroyed their credit component of the Money Supply, it made it impossible to reduce the deficit in Greece. Thankfully, the government maintained a 'difference' for a while until they were forced to destroy the economy with IMF encouraged austerity. The evils of Austerity Economics assisted with the destruction of the Greek economy. If a nation is to rely on a high proportion of the Money Supply as credit issued by private banks and those banks fail to maintain the credit portion of the circulating medium, then it is necessary for the government to increase the Money Supply or increase velocity. In the following table, you can see that the norm is to have a deficit. We need to change the word ‘deficit’ to ‘difference’. I selected a few records for you to browse.

Government Deficit as a Percentage of GDP

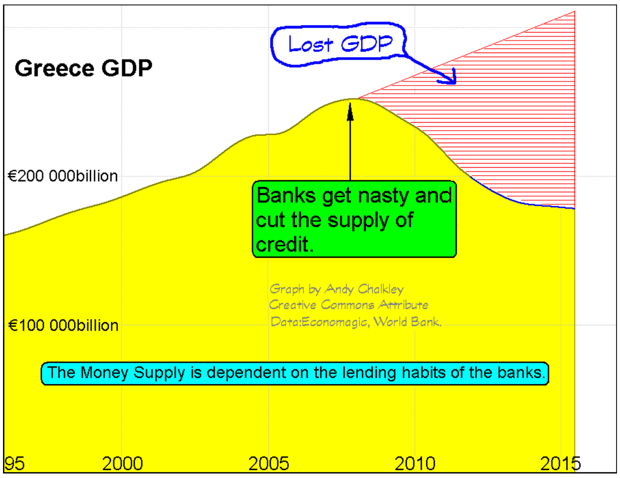
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
EU (28c)	-2.9	-2.5	-1.6	-0.9	-2.4	-6.6	-6.4	-4.6	-4.3	-3.3	-3	-2.4
Germany	-3.7	-3.4	-1.7	0.2	-0.2	-3.2	-4.2	-1	0	-0.2	0.3	0.7
Ireland	1.3	1.6	2.8	0.3	-7	-13.8	-32.1	-12.6	-8	-5.7	-3.7	-1.9
Greece	-8.8	-6.2	-5.9	-6.7	-10.2	-15.1	-11.2	-10.3	-8.8	-13.2	-3.6	-7.5
Spain	0	1.2	2.2	2	-4.4	-11	-9.4	-9.6	-10.5	-7	-6	-5.1
Italy	-3.6	-4.2	-3.6	-1.5	-2.7	-5.3	-4.2	-3.7	-2.9	-2.7	-3	-2.6
Lithuania	-1.4	-0.3	-0.3	-0.8	-3.1	-9.1	-6.9	-8.9	-3.1	-2.6	-0.7	-0.2
Portugal	-6.2	-6.2	-4.3	-3	-3.8	-9.8	-11.2	-7.4	-5.7	-4.8	-7.2	-4.4
Romania	-1.1	-0.8	-2.1	-2.8	-5.5	-9.5	-6.9	-5.4	-3.7	-2.1	-0.8	-0.8
UK	-3.4	-3.3	-2.7	-2.9	-4.9	-10.2	-9.6	-7.6	-8.3	-5.7	-5.7	-4.3

Data: Eurostat. Code: teina200.

The figures are high for Greece because the GDP was destroyed by bank action.



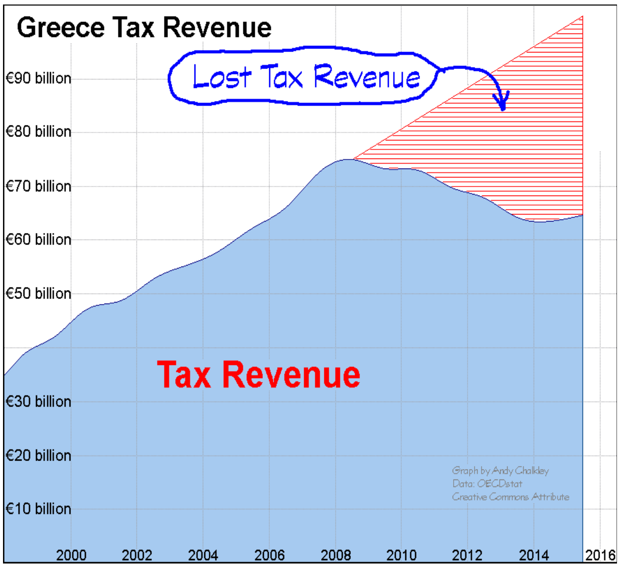
In the graph above, you can see that the deficit was tolerable until the banks destroyed the Money Supply. When the Money Supply falls, a recession follows. The ensuing depression destroyed the GDP as shown in the following graph. Most tax is taken as Income Tax, Company Tax, and Sales Tax. These taxes rely on successful business transactions. With a fall in business transactions, there is less tax collected. At the same time, there was an upward pressure on government expenses as unemployment rose and more guns were potentially needed to potentially shoot the new welfare recipients as they protested. So the quote component: “Athens’ failure to address a growing



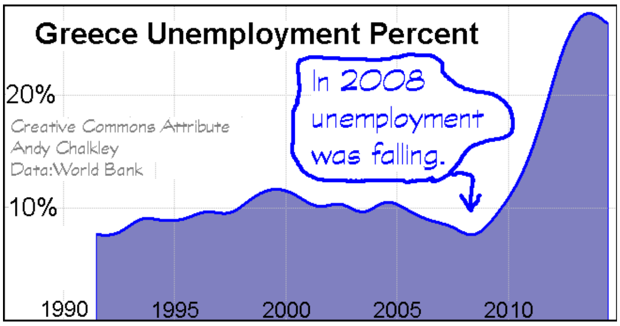
budget deficit.”, is also inappropriate. If the Money Supply falls, there is no escaping a budget deficit when tax depends on transactions. If the banks stop the issue of credit, it is essential for the government to spend, spend, spend and borrow. The IMF persuaded Greece to do the opposite.

In the yellow graph above, we can see the devastation inflicted on the GDP by the failure of the banks to maintain the credit portion of the Money Supply.

As the GDP falls, the Tax Revenue falls. When the GDP falls, there are far fewer business transactions occurring. Businesses are downsizing. Businesses are closing. People are out of work. The result is a fall in tax collection by the government.

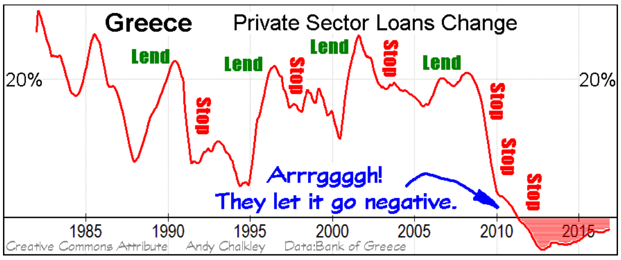


As the GDP falls, the unemployment rises as shown in this next graph:



Unemployment is caused by a lack of jobs. A lack of jobs occurs because there is insufficient money circulating in the economy. There is insufficient money because the banks are issuing insufficient credit to maintain the money supply and the money that does exist is hoarded by those with economic privilege. 92% of money is hoarded in Greece by swimming pool owners lucky enough to be in a position to hoard.

The magnitude of the Money Supply needs to rise at a slow steady pace for a healthy economy. It should neither rise too quickly, nor too slowly. As the major part of the Money Supply is bank credit, (82% at 2016 [3]) a steady supply of fresh credit is needed to replace loans that are repaid. In the following graph, you can see the erratic credit creation of the private banks:



One thing that you cannot trust banks to do is lend in a steady manner for the benefit of the nation. Private banks lend for profit. The private banks do not like the government to be in competition, but when left to control the supply of credit to the nation, they become erratic in their lending. Some pretense at controlling the supply of credit is made by using a central bank. However, the central bank gives a beautiful illusion of control. The cyclical nature of lending by private banks can be overcome by using a public bank. The public bank can lend in a procyclical manner that maintains the level of credit when the private banks fail to do so. A public bank would likely fix the money problems of Greece within one year.

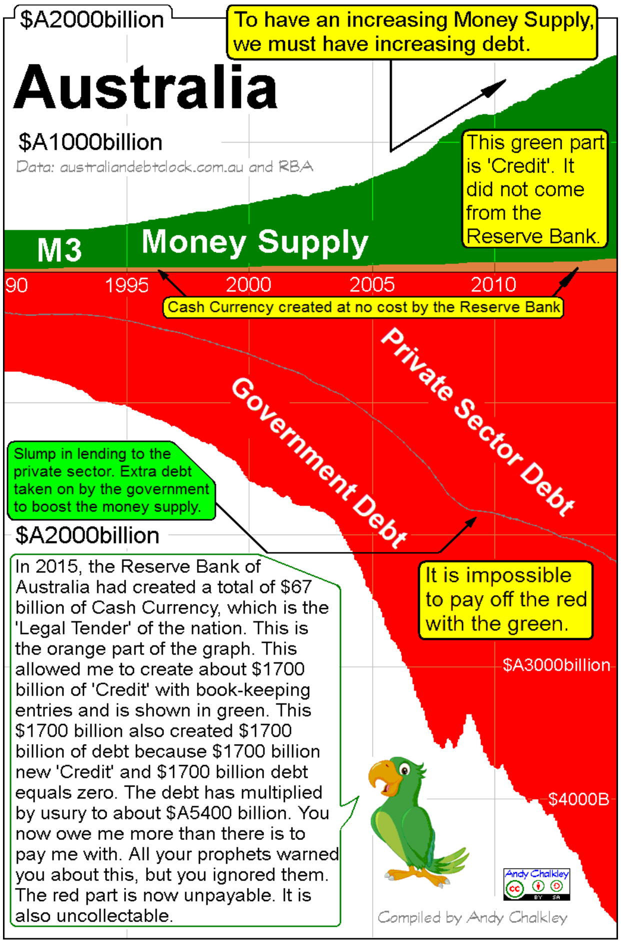
[1] IMF website http://www.imf.org/external/country/grc/greecefaq.htm

[2] www.ecb.europa.eu/ecb/tasks/html/index.en.html

[3] 2016-11 M3=162 EUR billion. Nov 2016-11 M0=28.6 EUR billion. Therefore bank credit =133.4 EUR billion. Percent Cash Currency = 28.6/162 = 18%. Data: Trading Economics.

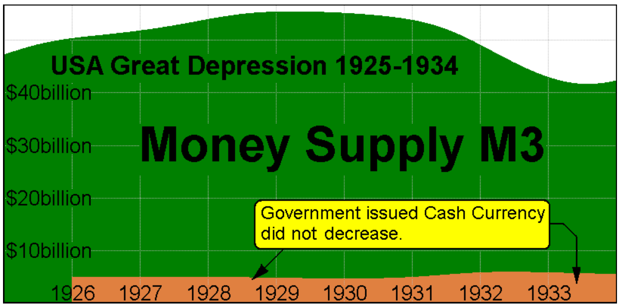
Chapter 3 - Other Countries

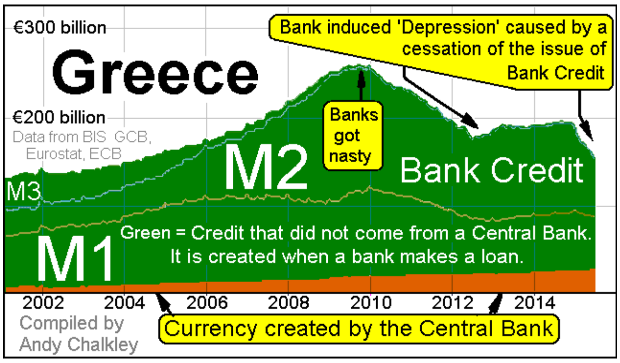
Other nations also have the same issue where there is 'more debt than money'. This graph is for those Greek people with relatives in Australia.

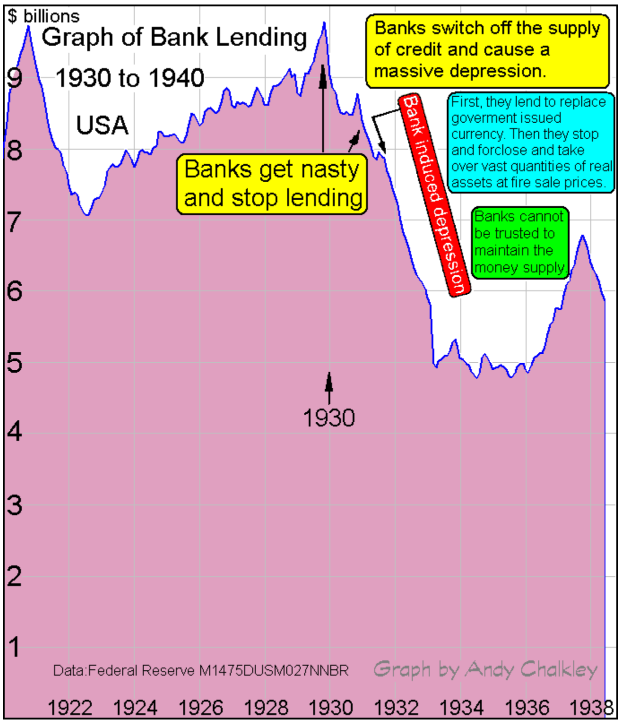


Great Depression of the USA

The graph of Money Supply in Greece is remarkably similar to the left half of the graph for Money Supply for the USA during the 'Great Depression'. The Cash Currency did not fall, but the volume of credit provided by bank loans fell dramatically. A government owned public bank would have countered this quite quickly.



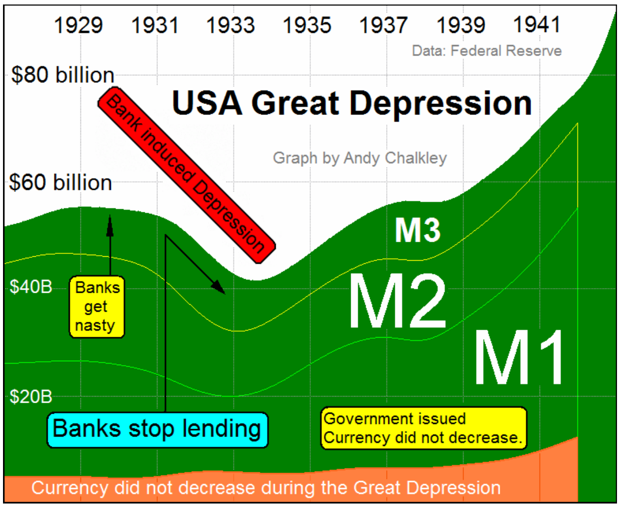




The USA suffered the same indignity of a fall in bank credit. The banks stopped lending as shown in this Graph.

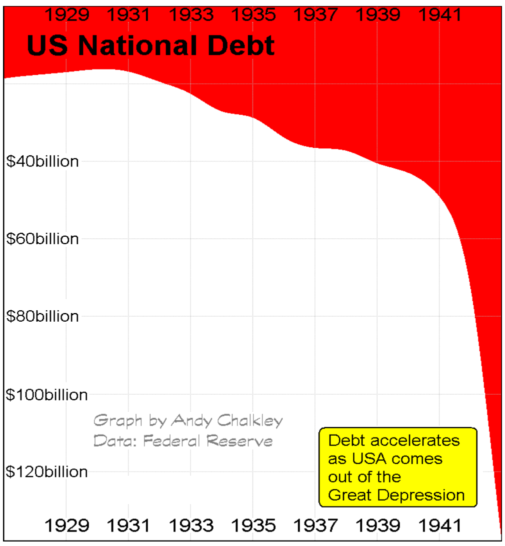
In the early 1930s, banks had no money to lend for peacetime purposes but very quickly had vast quantities to create bombs to drop on Germany and Japan. Money went from being unavailable to being plentiful. When the Money Supply increased, jobs were available, farm output increased, factories moved to two shifts and the depression was ended.

Great effort was made to rescue the USA from depression. The opposite is being done to Greece. Greece is being asset stripped with privatization. National assets are sold to corporations. Banks own shares in corporations. Ownership of corporations is a tangled web of ownership where they end up owning each other. The effect is that the banks own significant shares in companies that asset stripped the nation. Vultures don't eat vultures. Vultures need prey. Greece was made to squeal and the banks assisted the vultures subsequent feeding frenzy. The devil's best trick is to convince people



that he is not the devil. The IMF offers help by making you submit to the vultures.

During the Great Depression, the banks stopped lending and the Money Supply fell precipitously. The velocity also fell. The cure came with a dramatic rise in the Money Supply as can be seen in the graph. It is not recognized that a rise in the velocity would have had a similar effect. Greece cannot lift the Money Supply because the banks will not maintain the credit component of the Money Supply. Under such a constraint, Greece can teach the world that extra money is not required. The situation can be repaired by lifting the velocity. To lift the velocity it is necessary to reduce Hoarded Money and spend it into circulation.



In the USA, a massive increase in debt accompanied the recovery from the depression. Nobody realized that an increase in velocity would have had the same effect:

Chapter 4 - Can Germany Pay Its Debts?

Can Germany Pay Its Debts?

Angela Merkel is playing hardball, but can Germany pay its debts? Germany can only pay interest. Germany only manages to pay interest because the banks keep extending fresh credit. In Germany, the banks keep lending money which enables Germany to pay interest on previous debts. Germany, like every nation in Europe, is swimming in unpayable debt. If the banks creating credit in Germany, Germany would suffer the same indignity as Greece.

Greece has an artificially created shortage of money. Do not forget that money is a freely created commodity. It can be created in any quantity at no cost. The shortage was created by the banks.

Greece is being operated for the financial gain of

German banks. The German banks are profiting at the expense of the Greek people. The banks and the companies they own, are having a feeding frenzy on Greece. The banks are effectively attacking the weaker members of the Eurozone when they are at their weakest. The people of Greece suffering under an artificially created shortage of money caused by banks are now being trampled on by the banks. This is the very reason Jesus became reactionary.

In the graph to the right, you can see that any attempt by Germany to repay debt would destroy the vital German circulating medium. Germany uses a small quantity of Cash Currency shown in orange. Almost all transactions in Germany involve the transfer of fictitious credit from account to account. The credit shown in green did not originate from the German branch of the ECB. Germany is living on credit. The credit is provided by banks. Greece could tell Germany: **"Greece will pay its debts the same day that Germany clears its debts."**

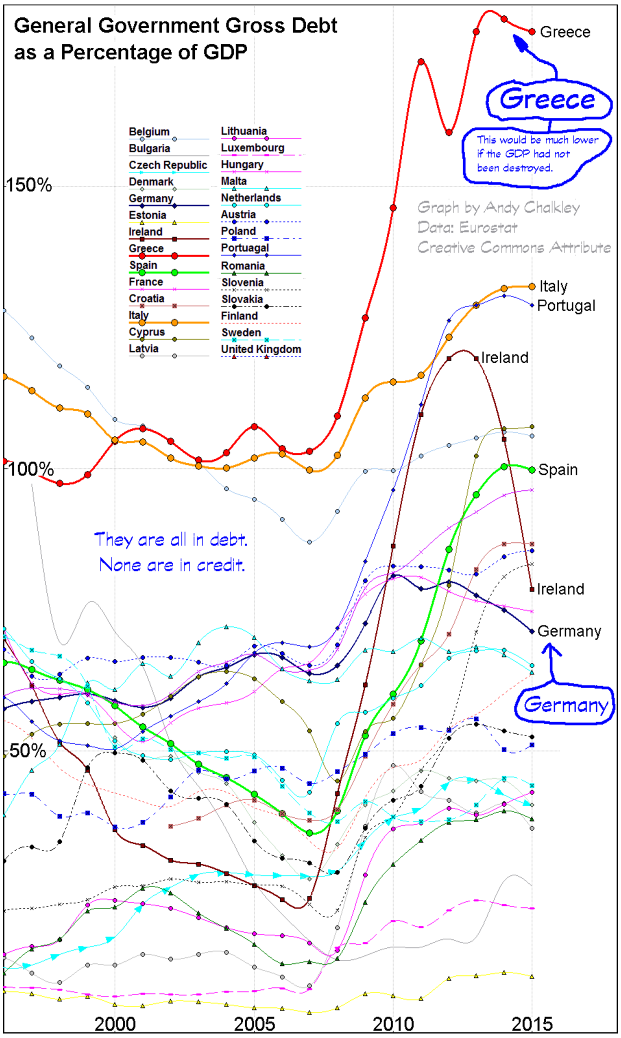
If the banks were to cease issuing credit in Germany, the German people would be robbed of their savings and their property. The nation would sink into depression and the German GDP would be destroyed. It is less likely to happen whilst Mrs. Merkel sings to the tune of the banks.

Germany was treated unfairly after WW1. Germany was saddled with debts that were impossible to pay. The level of debt was tolerable until the loans were called in. Germany was assisted with a level of debt relief and financial assistance in 1953. Its foreign debt was halved. Greece can actually manage without debt relief. Unlike Germany at present, Greece has no access to credit. This causes a lack of vital circulating medium and a lack of available credit for business expansion. Greece can get the same effect by raising the velocity by about one percent each month. The 'Debt to GDP' figure for Greece is high but not unlivable. China runs a public bank called the China National Bank. In this situation, much of the debt is owed to the government. Thus the government owes money to the government which is a much more comfortable situation for the government. This table gives values for Debt to GDP. It is a little unfair comparing debt to GDP because the actions of the banks destroyed half of the potential GDP of Greece. If the banks had not destroyed the supply of credit in the Money Supply, Greece would potentially have a GDP of twice its 2016 value and would have a debt to GDP closer to Germany. Debt to GDP for Greece in 2007 was 107% [Eurostat] whilst that for Germany was 68%. [Eurostat] Note: Germany was not positive, nor zero. Germany was also running on debt and Germany's debt has since increased

Debt in Greece in euro has fallen since 2009.
Debt in Germany in euro has increased since 2009.

	Germany	Greece
Total Debt	€4732B	€578B
Total Debt	€5353B	€548B
	An increase	A fall of 5%

This next graph is National Debt to GDP for the nations of Europe. The graph is a little unfair because Greece has had its GDP destroyed since its Money Supply was destroyed by banks.



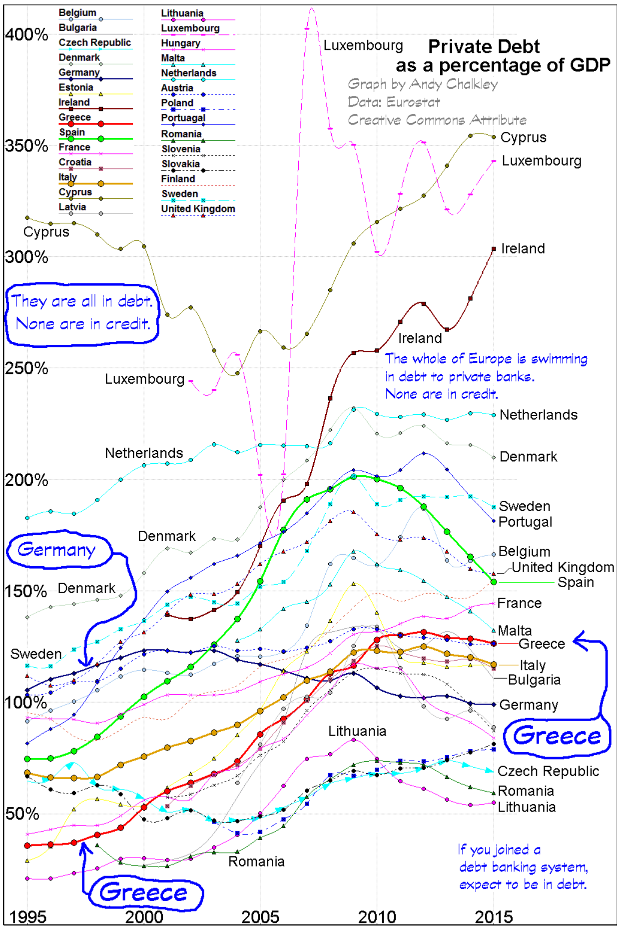
When it comes to Private Debt, Greece is in the middle of the pack.

It is very unfair comparing debt to GDP figures when the GDP of Greece has been destroyed by bank action. The banks destroy the GDP of Greece, then they claim that Greece has a bad debt to GDP figure, then they demand a dreadful austerity package, then they demand they sell off national assets to international corporations. Banks own the shares of corporations.

Nation	Debt to	**Nation**	Debt to
Japan	229%	Denmark	40%
Greece	177%	Tanzania	40%
Lebanon	139%	Bolivia	40%
Italy	133%	Suriname	40%
Portugal	129%	Panama	39%
Jamaica	128%	Macedonia	38%
Cape Verde	123%	Romania	38%
Bhutan	119%	Colombia	38%
Cyprus	109%	South Korea	38%
Belgium	106%	Sierra Leone	38%
Singapore	105%	Iraq	37%
United States	104%	Australia	37%
Spain	99%	Turkmenistan	36%
France	96%	Latvia	36%
Ireland	94%	Niger	36%
Jordan	93%	Tajikistan	36%

Canada	91%	Papua New Guinea	36%
Euro Area	91%	Qatar	36%
United Kingdom	89%	Madagascar	35%
Croatia	87%	Switzerland	34%
Austria	86%	Uganda	34%
Sao Tome and Principe	86%	Gabon	34%
European Union	85%	Namibia	34%
Egypt	85%	Republic of the Congo	34%
Slovenia	83%	Ecuador	33%
Mauritania	81%	Turkey	33%
Sudan	79%	Cambodia	32%
Ukraine	79%	Guinea Bissau	32%
Mongolia	77%	Ethiopia	32%
Zimbabwe	77%	Myanmar	32%
Bahamas	76%	Hong Kong	32%
Sri Lanka	76%	Norway	32%
Hungary	75%	Taiwan	32%
Serbia	73%	Zambia	31%
Albania	72%	Bosnia and	31%
Germany	71%	Comoros	30%
Brazil	69%	Syria	30%
India	69%	Guinea	29%
Iceland	68%	Bulgaria	29%
Belize	68%	Malawi	29%
Djibouti	68%	Belarus	29%
Ghana	68%	Azerbaijan	28.00%
Netherlands	65%	Burkina Faso	28%
Israel	65%	Ivory Coast	28%
Pakistan	65%	Rwanda	28%
El Salvador	64%	Moldova	27%
Malta	64%	Nepal	27%
Morocco	64%	Bangladesh	27%
Finland	63%	Indonesia	27%
Costa Rica	62%	Indonesia	27%
Bahrain	62%	Haiti	26%
Mauritius	62%	Chad	26%
Montenegro	61%	Togo	26%
Seychelles	60%	Guatemala	25%
Lesotho	57%	New Zealand	25%
Mozambique	55%	Liberia	24%
Kyrgyzstan	55%	Eritrea	24%
Malaysia	54%	Kazakhstan	23%
Slovakia	53%	Peru	23%
Kenya	53.00%	Botswana	13%
Poland	51%	Luxembourg	21%
Gambia	51%	Benin	21%
Fiji	51%	Maldives	20%
Vietnam	50%	Palestine	20%
South Africa	50%	Cameroon	20%
Yemen	50%	Paraguay	20%
Venezuela	50%	Congo	20%
Guyana	49%	Cayman Islands	18%
Argentina	48%	Russia	18%
Uruguay	48%	Chile	17%
Tunisia	47%	Cuba	17%
Dominican Republic	46%	Iran	16%
Trinidad and Tobago	46%	United Arab Emirates	16%
Nicaragua	45%	Libya	15%
Philippines	45%	Burundi	15%
Laos	45%	Kosovo	14%
Thailand	44%	Nigeria	11%
Senegal	44%	Kuwait	11%
Honduras	44%	Uzbekistan	11%
China	44%	Estonia	10%
Sweden	43%	Oman	9%
Mexico	43%	Swaziland	9%

Georgia	43%	Algeria	9%
Lithuania	43%	Afghanistan	7%
Armenia	42%	Equatorial Guinea	6%
Central African	42%	Saudi Arabia	6%
Czech Republic	41%	Brunei	3%
Data: Trading Economics			



Much of the credit that was lent to the likes of Greece, was money that banks had borrowed from the ECB at almost invisibly low interest rates and had on-lent at a higher rate to Greece. Why was the same money not available to Greece from the ECB? Central banks were originally intended to finance nations. One might expect a central bank to look after the interests of nations. This is not the case. The ECB lends money to private banks at almost invisible interest rates and the private entities on-lend to governments at high interest rates. Where is the logic in this? The ECB can create money in any quantity at no cost. Money was invented to assist the trade between citizens. The ECB has descended to the level of the moneychangers in the temple. These are the rates at which the ECB lends to private banks:

European Central Bank interest rates.

2016-03-10	0.00%	2013-05-02	0.50%	2011-11-03	1.25%
2014-09-04	0.05%	2012-07-05	0.75%	2011-07-07	1.50%
2014-06-05	0.15%	2011-11-08	1.00%	2011-04-07	1.25%
2013-11-07	0.25%				

[www.global-rates.com/interest-rates/central-banks/european-central-bank/ecb-interest-rate.aspx]

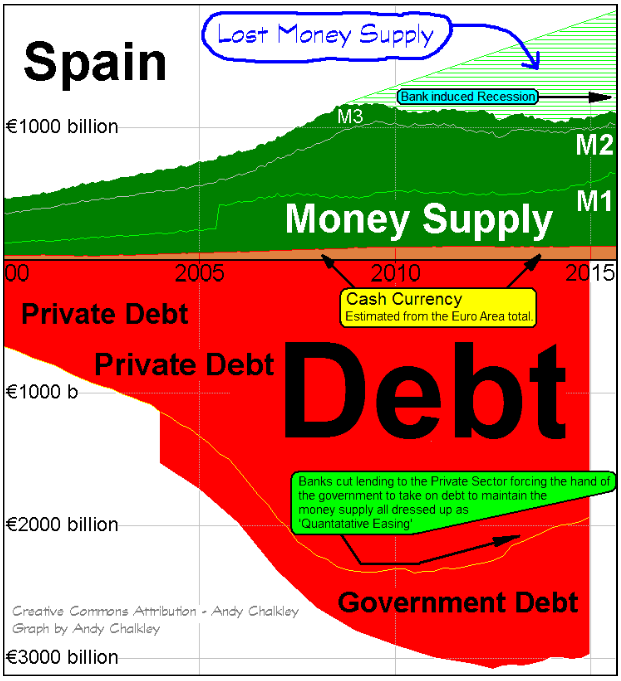
The banks could then lend to the Greek government by buying government bonds at upto 20%, 30% or 40%. Here are some interest rates for some other central banks for comparison:

Central Bank interest rates.		
Central bank interest	Percent	Date
United States	0.75%	12-14-
Australia	1.50%	08-02-
Brazil	12.25%	02-22-
Great Britain	0.25%	08-04-
Canada	0.50%	07-15-
China	4.35%	10-23-
Europe	0.00%	03-10-
Japan	0.00%	02-01-
Russia	10.00%	09-16-
South Africa	7.00%	03-17-
[www.global-rates.com/interest-rates/central-banks/european-central-bank/ecb-interest-rate.aspx]		

The Banks Strangled the Credit Supply of Spain

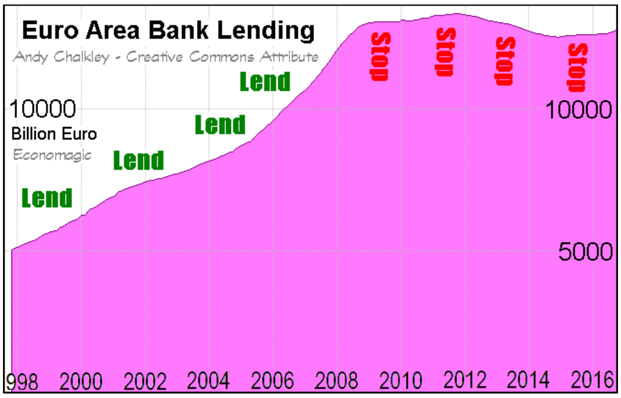
The banks in Spain have failed to supply sufficient credit to maintain the Money Supply. The private sector has been starved of credit which has pushed the government to take on more debt. The solution that we will use for Greece will work in Spain. It will work in any credit restricted nation suffering a recession.

The whole of the Euro Area has suffered in the straightjacket that is the private bank credit scheme with a puppet Central Bank producing a small quantity of paper currency to support the credit. The ECB is working for the interests of the banks rather than the interests of the nations. Their motivation is bank profit, not national prosperity. If you wanted to curtail prosperity in Europe, this is the way that you would do it.

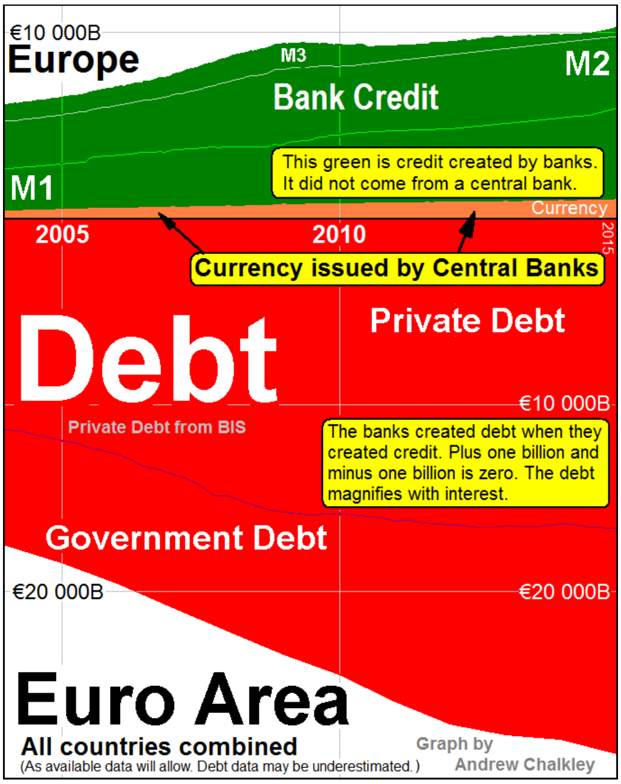


Euro Area

The whole of the Euro Area has suffered in the straightjacket that is the private bank credit scheme with a puppet Central Bank producing a small quantity of paper currency to support the credit. The ECB is working for the interests of the banks rather than the interests of the nations. Their motivation is bank profit, not national prosperity. If you wanted to curtail prosperity in Europe, this is the way that you would do it. Here is the lending pattern for the banks in the Euro Area. The banks are not maintaining an adequate level of credit in the nations of Europe:



Here is a graph of the money and debt for the combined nations in the Euro Area. Yet again the banks have created an impossible contract. It is not possible to repay the debt with available credit. Previous debt is only repayable if more debt is created:

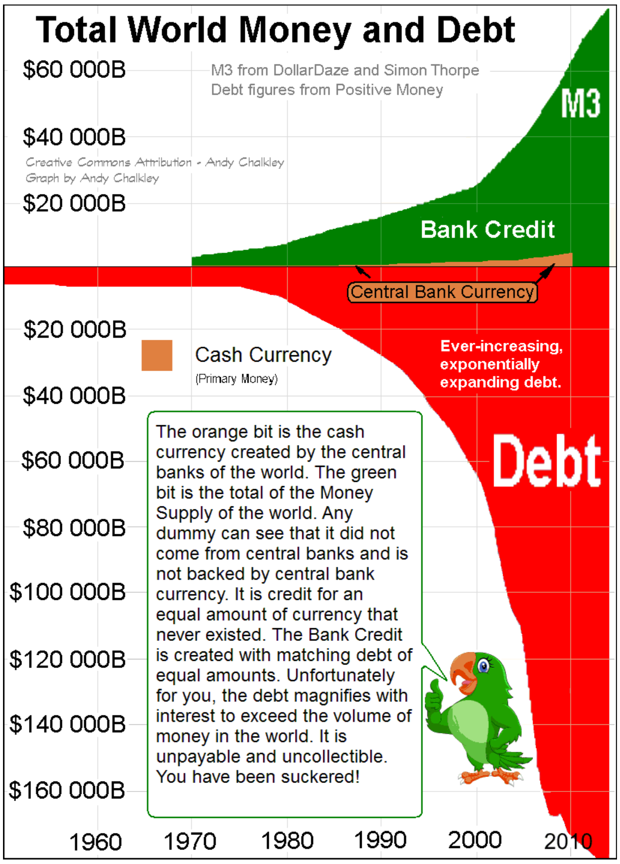


Worldwide Debt

The debt problem is worldwide. There is twice as much debt in the world as there is money.

Moses spoke of this in a manner that protected the locals, impoverished others, and encouraged oligarchy. The Old Testament needs to be thrown out. The old testament is an instruction book for oligarchy. This instruction by Moses is from one of his sermons.

> "Thou shalt not lend upon usury to thy brother; usury of money, usury of victuals, usury of any thing that is lent upon usury.
>
> Unto a stranger thou mayst lend upon usury; but unto thy brother thou shalt not lend upon usury: thus the lord thy god may bless thee in all that thou settest thine hand to in the land whither thou goest to possess it. [Deuteronomy. 23:19, 20]



It is typical of the evil of the Old Testament. The old testament is a formula for oligarchy. This instruction by Moses is from one of his sermons:

Moses "... and thou shalt lend unto many nations, but thou shalt not borrow; and thou shalt reign over many nations, but they shall not reign over thee." [Deuteronomy 15:6]

Moses was not nice:

Moses "But of those cities that shall be given thee, thou shalt suffer none at all to live. But shalt kill them with the edge of the sword, to wit, the Hethite, and the Amorrhite, and the Chanaanite, the Pherezite, and the Hevite, and the Jebusite, as the Lord thy God hath commanded thee. Lest they teach you to do all the abominations which they have done to their gods: and you should sin against the Lord your God." [Deuteronomy 20:16 to 18]

Jesus spoke against the misuse of money and got nailed to a scaffold for his efforts. Mohamed was a trader and made strict rules concerning the appropriate use of usury. The Church recognized the problem and banned usury for over a thousand years. This is not a new problem. Proverbs 22:7 warned us: "The rich ruleth over the poor, and the borrower is servant to the lender". In Deuteronomy 28:44-45, we are warned: "The stranger that is within thee shall get up above thee very high; and thou shall come down very low. He shall lend to thee, and thou shall not lend to him; he shall be the head, and thou shall be the tail."

On 2011-12-21, and on 2012-03-01, the ECB was prepared to lend any amount of money to any bank in the Eurozone on unusually generous terms. No bank was refused. Why were governments not offered the same arrangements? Why were governments charged usurious rates? Why did the ECB favour private interests over the nations and people of Europe? 1,323 banks took up the offer borrowing an astounding 1019 billion euros. The 1019 billion euros was generated at no cost. As usual it was given a fancy name: 'Longer Term Refinancing Operations' (LTRO). Some banks were at risk of becoming unable to meet their payment obligations. One trillion euros was thrown at them at negligible interest rates. No such assistance was given to nations. Nations got the opposite treatment. Nations got restricted credit and increased interest rates on previous debts. This was a bailout for the banks by the ECB and a classic Shylock situation for nations. The ECB was clearly acting for the benefit of private banks whilst nations were being put in a debtors bind.

"The rich rules over the poor, and the borrower is the slave of the lender." [Proverbs 22:7]

Some of the economically depressed nations were pushed to the point of insolvency. They found it very expensive to refinance their huge accumulated debts at ever higher interest rates. If the combination of the ECB and the banks lend money and expect more in return, then an impossible contract has been created. Only further loans can keep the system from collapsing. Forget fancy mathematics, this is elementary logic. The usurer was in his element. The vultures pounced on the weak. The money lenders made extra profit from nations that had been put in a debtors bind. If the ECB and banks stop increasing the volume of euro, whoever is the weakest will be the sacrificial lamb.

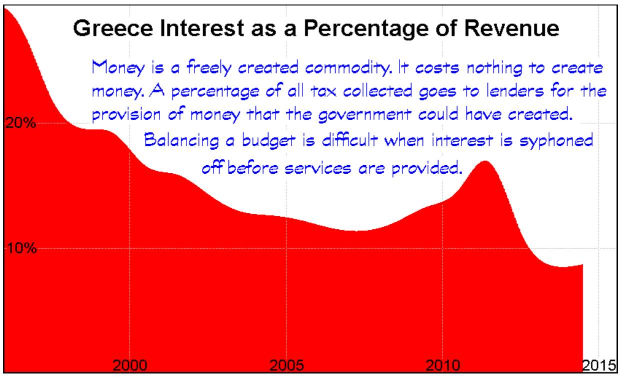
"Woe to those who enact evil statutes, and to those who constantly record unjust decisions, so as to deprive the needy of justice, and rob the poor of My people of their rights, so that widows may be their spoil, and that they may plunder the orphans." [Isaiah 10:1-2]

ECB money rescued the Eurozone banks. It supported the bond market but not the nations. It supported those that were charging abusive interest rates to nations, whilst giving almost free money to private banks. It ensured that banks did not need to resort to fire-sales of their assets whilst nations were being forced to sell off assets to the private sector. Very little of this finished up in the real economy as can be seen by the various graphs of velocity. It finished up in the hands of the wealthy hoarders. Banks were acting in a manner to look after themselves. In 2012, Spanish and Italian sovereign ten-year bonds were paying 4.9 percent interest. Private banks could borrow from the ECB at one percent interest and buy bonds at 4.9 percent and cream 3.9% from nations. Is there any doubt that the ECB acts for banks, not nations. The ECB enabled a trillion-euro bonanza for the banks at the expense of nations and their citizens. the ECB has made great effort to rescue and pad the private entities called banks and supported the banks and the moneylenders whilst they mistreated nations and citizens.

[1] The image is a scan from our family bible dated 1878. The Holy Bible with Matthew Henry's Commentary. John G. Murdoch, 41 Castle St., London.

Chapter 5 - It Costs Nothing to Create Money

Interest Expense



Money

Money is a freely created commodity. It costs nothing to create money. It is printed on paper or entered into computer registers. When the nation-state was invented, it was the king who was given the authority to create the money of the nation. Since the power of the kings was removed and in some cases, the head of the king was removed, the authority to create the money of the nation was given to the government. However, governments have given away the authority to create money to institutions that are independent of government. The usual political slogan is along the lines of **“Keep the central bank free from political influence”.** Democracy disappeared from money creation and the central banks became controlled by bankers. This is a workable solution except for some minor issues:

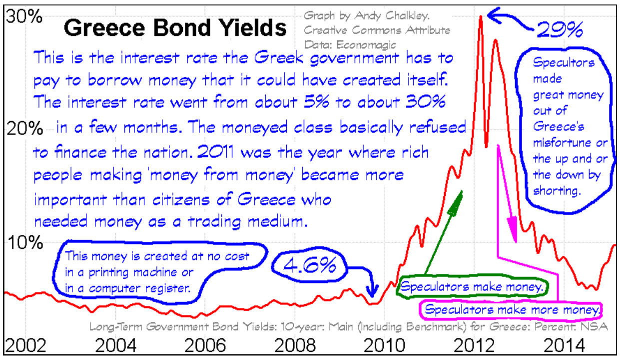
- Money becomes borrowed into circulation. The borrowed money circulates as credit entries in bank accounts. The associated debt magnifies with interest to become unpayable. The only way to pay interest on past loans is to create more debt and borrow more credit. This is workable until all assets are transferred to the banks in a process called privatization.
- The volume of credit in the Money Supply depends upon the rate of creation of new loans compared to the rate of collection of repayments. Whichever of these two is bigger wins. If new loans are winning, the Money Supply climbs and the economy thrives. If repayments are winning, the Money Supply shrinks and the GDP tends to shrink.
- The people that maintain the money system also control the money system. A large group of bank lobbyists with very deep pockets assists the politicians with campaign contributions, assistance on retirement, and education on how to keep the money system independent of the democratic process.
- The lending patterns of the private banks tend to be governed by profitability. This encourages speculation in existing assets which causes selective inflation, bubbles, and busts.
- All that the banks need to do to destroy a nation is to cut the issue of loans. This can be conveniently blamed on the government by claiming “economic mismanagement”. This power can be used as political blackmail.
- They too readily lend for asset appreciation rather than for business development. They even have weighting rules that discourage lending to business. [Basel Three]
- The lending patterns of the private banks tend to be cyclical. They lend profusely for a while causing asset inflation, then they cut their lending causing bankruptcies, burst bubbles, and business devastation.
- Immense quantities of unpayable debt are created.

Where the Money Comes From

Governments borrow money by creating bonds. The bond is an IOU. A million euro bond is an IOU with a fixed repayment date. A million euro bond is a promise to repay one million dollars on a set date in the future and to pay interest on the million euro at regular intervals. Bonds are auctioned on a regular basis. The auction process sets the interest rate. The lender transfers ownership of one million euro of pre-existing bank credit into a bank account of the government. The government pays the agreed interest at set intervals. Bonds are popular investments with people with ‘more money than they can spend’. To the investor, a bond has three important properties: duration, yield, and risk. The bond is thus both a way of storing wealth and a speculative item. The gains are a tribute to those with the money and a loss to the nation. When the million euro bond is auctioned, investors anywhere in the world, type their bid into a keyboard. Their bid is the amount of interest they demand on the million euro bond. If the loan is risky, the interest rate is higher to compensate for the possibility of failure to repay. Bonds are bought and sold and may change ownership many times during their life. The selling price may be a discount or a premium over the original price depending on how the market perceives the risk. The current selling price of previously issued bonds is constantly being updated giving an indication of the perceived risk involved in the bonds.

Most of the architecture of the current financial system was constructed at Bretton Woods at the end of World War Two. Bonds are a way of moving money from those that have ‘more than they can spend’ to those that wish to do something useful with it. Ironically, the money is held by corporations and individuals acting through a corporation that they own and is lent to governments who have to beg for money. Originally, governments created the money and the availability of money for circulation depended on government spending. This has turned round and governments have to borrow from private corporations. Unfortunately, this gives a level of power to the private corporations. If the ratings agencies perceive that the government is not acting to the benefit of the lenders, credit dries up for that nation. The ratings agencies are acting for the benefit of the lenders and against the interests of the nations and the people of the world. The interest rate on the bonds rises to make it impractical for the government to borrow that which was originally created at no cost. For Greece, this occurred in 2011. The Greek government was borrowing money at 4.6% in 2009. By the beginning of 2012, this had risen to 29%. Why would anyone borrow something at 29% that cost noting to create? In 2012-03, The Greek Government bond 10Y reached an all time high of 48%.[3] No government is going to borrow at this rate and so we effectively have a corporate environment that denies the essential circulating medium to a nation. The various nations of the world have conceded the privilege of creating the money supply of the nation to private interests. The circulating medium is borrowed into existence. Private interests then refuse to lend circulating medium to nations. Private interests have the audacity to suggest that it is the fault of the government. Many years ago, private interests removed the money creation procedure from government. Many years later, private interests refuse to supply credit to government.

A nation pays heavily for the privilege of using credit provided by private entities. They get punished if they don't give enough to the moneyed class that believes it is appropriate to treat nations as cash cows.



There are investors that believe that Greece should not have been lent any money. They fail to realize that it is the government that is responsible for operating the nation and part of that involves ensuring that there is an adequate supply of tokens. To these parasites, 'making money from money' has become more important than the circulating medium needs of a nation. These parasites forget that money was invented to enable trade. It was not invented so that the well off could accumulate more of the essential circulating medium. Greece is being treated as a sharks feeding frenzy whilst being denied access to circulating medium that cost nothing to create. Money was not invented for profiteers. It was invented to circulate.

In 2001, Goldman Sachs was paid hundreds of millions to assist Greece with some complex financial arrangements to secure its position in the euro single currency system. What the Goldman Sachs experts did was to hide some of the Greek government debt. Some believe that Goldman Sachs made as much as half a billion euro from the arrangements that involved 'swaps'. These swaps appear to have made around two percent of the national debt disappear from its accounts. The ingenious swaps were not recorded as debt as they were effectively a future expense. Greece lost heavily from the Goldman Sachs' deceptive procedures. Greece had problems recovering from this bank shakedown.

As it became difficult for Greece to beg money from the speculative sharks of the world, it turned to the source governments turn to in times of stress. It turned to the creators of credit in the money system, the banks. The banks cannot afford to allow a big creditor to go bankrupt even if the credit was borrowed from a third party. All credit originates from bank lending. The generated credit is passed from entity to entity by bookkeeping entries in the banks. Any major default anywhere has the potential to crash the system. Although the banks scream and yell, they have to provide credit to prevent a crash of their virtual money system. Their virtual money system runs parallel to the Cash Currency system operated from the ECB.

The banks give bailouts with conditions with the implication that the government is at fault. The bailout is a bailout for the bank system.

In late 2009, ratings agencies downgraded the credit rating for Greece. This caused a crisis of confidence in the bond market affecting Greek government bonds. Credit Rating Agencies greatly influence investor perceptions of the creditworthiness of governments. Greece then suffered the most expensive debt in the EU. There have been heavy criticisms of the ethics of the corporate sponsored rating agencies and the harm they are capable of inflicting. These ratings agencies are wide open to claims of conflict of interest. Many have accused the ratings agencies of exacerbating the financial crisis. In April 2010, Standard & Poor graded Greece's debt with a junk status. It became inappropriate for Greece to obtain money from the speculators on the world bond market. Within months the Greek government was asking the IMF for money. This might seem strange to many as the ECB was set up to supply the euros of Europe. Don't forget that the ECB website states: "The ECB has the exclusive right to authorize the issuance of banknotes within the euro area." Deceptive wording allows banks to create substitute money. Greece was soon begging euros from the IMF. Due to a quirk of history, banks create credit, but treasuries do not create credit. If a nation cannot get credit from bond purchasers, it goes to the original source of the credit in our society, banks. The nation does not print some notes, it borrows credit. Another quirk is that a treasury issues a one million euro bond that is passed from holder to holder. The one million euro bond has a 'promise to pay' on it. The treasury does not issue currency notes with 'promise to pay' on them. The ECB issues notes with an implied promise to pay on them. The Greek treasury could issue one thousand euro bonds at zero interest rate to pay its bills.

Government bonds are usually considered to be a safe investment. They are considered boring and safe and are usually bought by pension funds, central banks, and insurance companies. Stock markets tend to be volatile. They even collapse on occasions. A stock market collapse is recoverable. A serious bond market crash may be unrecoverable. Many consider a bond market crash to be an opportunity to accumulate great wealth at the discomfort of others. A bond market crash is much more painful than a stock market crash. It affects the pension savings and the wealth of nations. A major bond crash may bring down the money system of a nation or a few nations. It may bring down the world money system. The financing of the nations of the world relies on the ability of nations to borrow credit from well-heeled holders of excess credit. If the bond market has a major crash, it may be the end of life as we know it.

With the bailouts of 2009, the investment climate changed. There was now a perception that the holders of government bonds would be bailed out. Thus we have compensation for bond holders but misery for the Greek people. The high bond interest rates also represented a high transfer of wealth from the suffering citizens of Greece to those with 'more money than they can spend'. The use of money to make money was altogether more important than the purpose for which money was invented. Never forget that money was invented by one of our predecessors to assist with the trade that enables civilized life. Those that betted profitably in the bond casino kept their money. Those that failed got bailed out. Both the winners and the losers profited handsomely at the expense of the working public. Money was not invented so that those with 'more money than they can spend' could make even 'more money that they can't spend'. Their money is a fantasy. They cannot spend their accumulated wealth in the real economy because any significant movement from hoarded wealth to circulation in the real economy would crash the real economy and bring down the financial system. Every euro ever produced, whether it be paper or credit, relies on the ability of a ten euro note to buy ten euro worth of goods at the corner store. If the corner stores, the farmers, and the small business people are crashed, there is no goods for the ten euro note to purchase. All euro become worthless, including the stacked wealth of the mega-rich. There will be no food supply for the mega-rich to purchase. Not at any price.

> **Bill Clinton** raged: "You mean to tell me that the success of the program and my reelection hinges on the Federal Reserve and a bunch of fucking bond traders?" [1]

Clinton realized how his fate was in the hands of the unelected financiers and 'the bond market' (the money lenders).

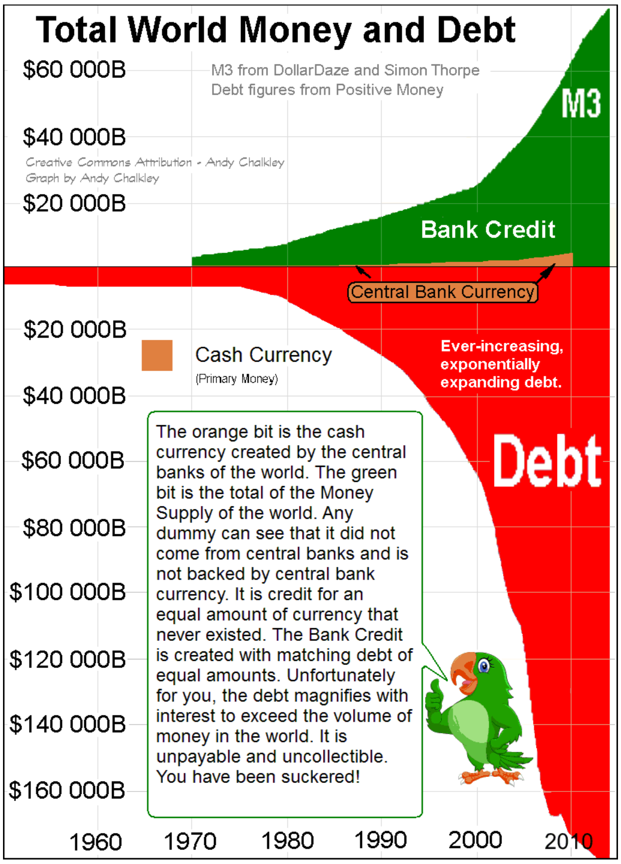
> **Thomas Friedman**, New York Times columnist: "There are two superpowers in the world today in my opinion. There's the United States, and there's Moody's Bond Rating Service. The United States can destroy you by dropping bombs, and Moody's can destroy you by downgrading your bonds. And believe me, it's not clear sometimes who's more powerful."

Governments no longer create and spend the money of the nation into circulation. The money of the nation is borrowed into circulation. The borrowed money passes from person to person, but it is still borrowed money. Every cent in circulation was borrowed into existence and someone is still paying interest on it. The borrower no longer has the money. He passed it on and the new owner passed it to another who passed it to another who passed it to another who passed it to another.

The banks suggest that they are helping us, but they inflict devastation and harm. They progressively persuade the people to use their brand of bank issued credit. When we are hooked on their credit, they dry up the supply which causes a serious shortage of circulating medium. This brings serious harm to the economy and misery to the people. They create 'credit' out of nothing, and lend it to us, expecting more in return than was lent. They are the only source of credit so a perpetual debt machine is created. We are the hamster in the wheel. We are on a bicycle that goes nowhere. It is impossible to pay back more than was lent. We become trapped in a money system that requires ever greater quantities of debt. The bank lends billions. The citizens have to pay back billions plus ten percent. But the ten percent does not exist. When citizens and nations fail to pay back the unpayable, the citizens and nations get asset stripped. Moses advocated this to subjugate foreigners. We need to ban Moses and his teachings.

> **Moses** "For the Lord thy God blesseth thee, as he promised thee: and thou shalt lend unto many nations, but thou shalt not borrow; and thou shalt reign over many nations, but they shall not reign over thee." [Deuteronomy 15:6]

When citizens and nations fail to pay back the unpayable, the assets of the citizens and the nations are passed to the corporations that have similar owners to the banks. But we can live under this tyranny of credit, if we make a few adjustments to the tax system.



A Bond Market Crash

A bond market crash can starve economies of credit and throw nations into debt crises. A big crash could bring the world finance system down. In our modern financial system, the health of nations depends upon whether big time speculators are making a quid. These speculators and their talking heads have conditioned themselves to believe that government debt is a safe bet. What they fail to realize is that the mountain of debt far exceeds the volume of money available to repay the debts.

These people are disconnected from reality. The backing for money is the goods that can be purchased. There are insufficient goods to match their virtual billions. The investments in the bond market are lucrative for the speculator provided the volume of debt increases. A decrease will crash the system. The crash of any major bond issuer has the potential to crash the bond market and bring down the financial system. The system generates vast profits that are virtual and cannot be realized. Any significant spending of their hoarded wealth into the real economy will destroy the system. For that matter, any attempt to spend the money in tax havens into the real economy will crash the money system. The only solution it to return to a system where each national treasury creates the money of the nation and spends it into circulation. This system needs to be backed by a public bank to ensure adequate funding of infrastructure and business. The public bank also analyses the desired spending of government to ensure commonsense use of public money.

At present, your nation can only obtain the credit to operate a nation by dealing with this den of vipers. Many of these speculators do not realize the immense harm that their activities create. This is some of the gibber jabber from the speculators that hold your nation's destiny.

- Crashes are when fortunes are made.
- The only people who lose in a bond crash are people who have bet against it.
- You can borrow bonds from your broker, sell them, then wait for the bond markets to crash. Then you buy them back cheaper.
- A crash to one person is a boom to another.

A Greek Public Bank

A public bank would be one solution that would work for Greece. A public bank is a bank owned by the government. The public bank extends credit for the benefit of the nation. It ensures that all levels of enterprise have adequate finance. Every nation should have a public bank. They give such wonderful boost to the economy of a nation. The public bank is not prone to the stop-start lending patterns that the private banks inflict on nations. When a public bank lends to the government, the government owes money to the government making the debt somewhat irrelevant. If the Greek government is to owe an unpayable debt, it might as well be to itself. Public banks make sure that finance is available for public infrastructure as well as ensuring that adequate credit is available at all levels of business.

The private banks operating under the ECB are unlikely to tolerate competition to their money creation monopoly. A public bank is a luxury that is unlikely to occur in Greece. The existing private money creation monopoly could feasibly work but the existing private group monopoly has demonstrated that it is incapable of maintaining a steady flow of credit to maintain a steady Money Supply. Many countries have run public banks with startling results. The economic rise of China is largely due to the operations of the China National Bank and the China National Development Bank. A Greek Public Bank would repair the damage done to the devastated Money Supply very quickly.

[1] "The Agenda" by journalist Bob Woodward
[2] The image is a scan from our family bible dated 1878. John G. Murdoch, 41 Castle St., London.
[3] Trading Economics. http://www.tradingeconomics.com/greece/government-bond-yield

Chapter 6 - The Velocity of Money in Greece

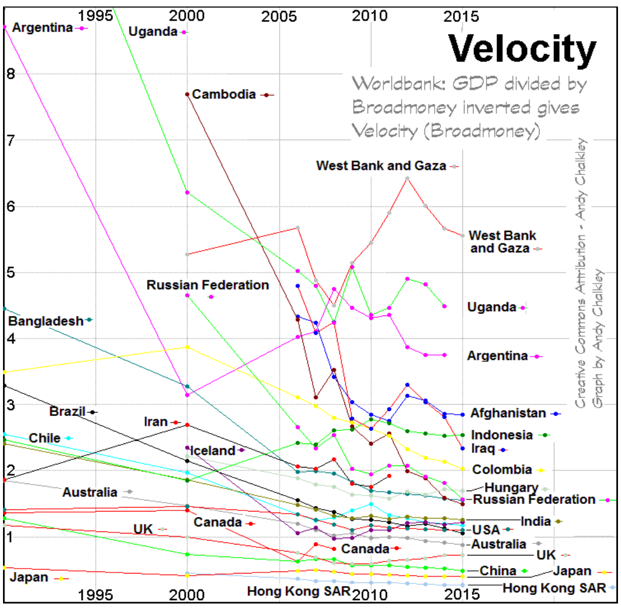
Let us hear some more about **King Pin**:

The nation of King Pin was doing remarkably well. The people walked with smiles. Houses had been built for all. The roads were new. Schools had been built. There was no extra silver in the country. However, the silver was in the form of coins that moved from person to person. Silver was no longer stored in vaults by King Pin. The money was no longer hoarded and kept idle. The secret to the money system success was that money was plentiful and it moved from person to person. It is only when money moves that people feed themselves, houses get built, and people get entertained. Silver coins must exist and be moving. The 'moving' bit is as important as the 'exist' bit. Money is useless if it is not moving.

Some people in King Pin's kingdom became wealthier than others. They started to hoard the coins. Some even turned the silver into jewelry for their wives to wear. Some people were proud to show their overflowing chests of silver coins. More and more coins disappeared from circulation. The coins existed, but they did not move. What was strange was that the less well off revered those that had hoarded the coins. Slowly, the poor got hungry and problems returned. The king's treasurer went to the king and pleaded: "Please King Pin. Release some more coins. The people are going hungry and the poor are selling their daughters into slavery." The king replied that he had already released his hoards of silver into circulation and had been declared the best king ever. He asked the treasurer "What is causing the problem?"

The Velocity of Money in Greece

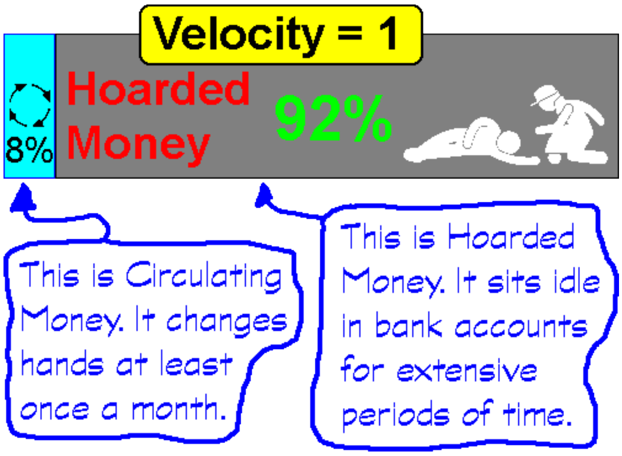
Let us have a look at the velocity of money in Greece. The velocity of money is a calculation of the number of times that money changes hands in one year. Consider a fruit seller. A fruit seller sells his fruit and restocks each day. The fruit seller represents a velocity of three hundred and sixty-five. A typical employee has no money left at the end of the week. The employee represents a velocity of fifty-two. A shop might restock each week. The shop represents a velocity of fifty-two. Greece has a velocity of less than one. Most money in Greece spends lengthy periods of time doing nothing. This money is sitting idle in bank accounts. The money of Greece has three hundred and sixty-four days of idle holiday and does three seconds of work on one day each year. It partakes in one transaction in three hundred and sixty-five days. The money in Greece is not creating the transactions that enable a vibrant civilized society. If I go to Syntagma Square and give the accordion player a ten euro note. He might go to the kebab shop next to the bus stop and buy a kebab. The kebab shop owner might immediately pay his cook the ten euros in wages owed. The cook goes down the road and gets a haircut. The hairdresser goes and spends the ten euro on a spinach pie. The café owner buys some apples. The fruit stall pays his debt at the newspaper kiosk. The kiosk gives it to his son as wages. The son buys a new tyre for his trick bicycle as a replacement for the tyre he damaged bouncing off a café wall down near Monastiraki Metro Station. In a few hours, this ten euro note has enabled ten transactions in less than a day. This represents €100 in transactions which is equivalent to a €36 500 annual contribution to the GDP. This note represents a velocity of 3650. But this money in Greece only manages one €10 transaction in a complete year. Money is being worshiped as idle savings in bank accounts. The people with this idle money are those that have ‘more money than they can spend’. They are the well off. It is not the people of Greece that are idle, it is the money that is idle. There is a lack of money for the real economy because money in Greece is idle. It is not the poor that are idle. There are many looking for work that is not there to be found. It is



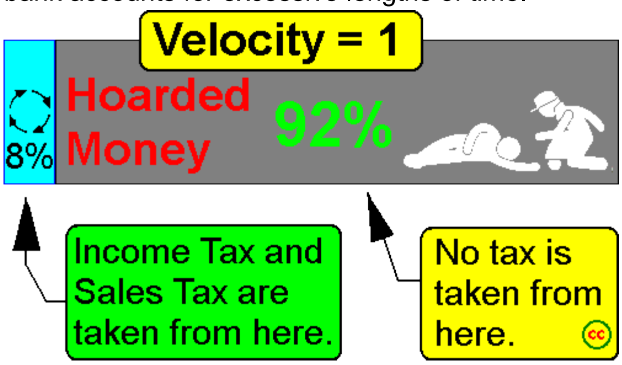
the money that is idle in the bank accounts of those with ‘more money than they can spend’. Above is the shocking graph of the velocity of money in Greece. The low velocity indicates that money is not being used for productive purposes. Numerous other countries also have horrendous values for the velocity of money. The difference is that other countries have constantly increasing debt which causes the Money Supply to increase. The only reason that low velocity is not shocking to economists is that most countries also have similarly shocking graphs:

Hoarded Money and Circulating Money

To determine how much money is hoarded, I classified money as Hoarded Money or Circulating Money. I classify money that changes hands within one month as Circulating Money. This is money that is passing from person to business to person creating the goods and services in the real economy. It is the movement of money in the real economy that enables civilized life. It is the Circulating Money that is feeding us, putting us in homes, and entertaining us. Money that sits in bank accounts for more than one month is classified as Hoarded Money. This money does almost nothing for society except pad the accounts of those with ‘more money than they can spend’. The following diagram represents a velocity of one. At a velocity of one, eight percent of money is circulating within one month. Ninety-two percent of money sits idle in bank accounts for a time in excess of one month.

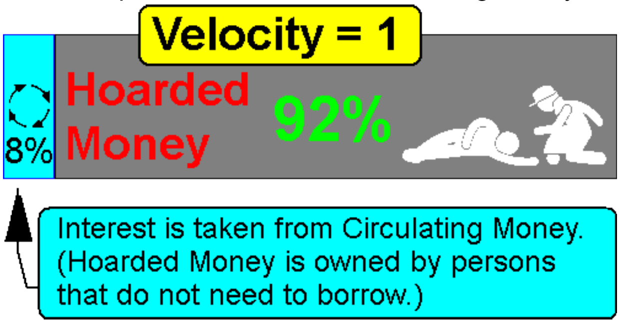


In Greece, 8% of the Money Supply is changing hands in less than one month. 92% is sitting idle in bank accounts for excessive lengths of time.



The way the government removes tax makes the situation worse. When the government removes tax as Income Tax, Sales Tax, and Company Tax, it takes it from Circulating Money. The reason is that these taxes are taken from money as the result of transactions. These transactions are the movement of Circulating Money. Sales Tax takes a bite of money out of the Circulating Money at each transaction. It is a shocker of a tax. It is almost the worst tax that one could invent. It destroys the transactions that generate the tax. Payroll Tax is even worse. Almost no tax is taken from Hoarded Money. Hoarded Money remains hoarded. Hoarded Money is worshiped by those with fat bank accounts full of idle money. The issue here is not that the rich are rich but that they are impeding the movement of money. It is not the wealth of the wealthy that causes the problems, it is the hoarding of the circulating medium that slows the number of transactions occurring.

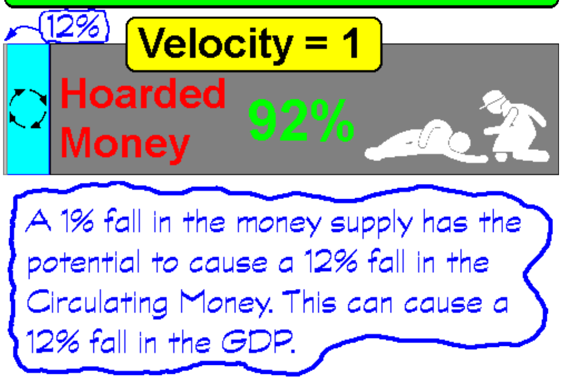
Luckily, when the government spends tax, it tends to spend it back into the Circulating Money.



When the bank takes interest repayments, it takes the money from Circulating Money. The reason is that people that hoard money do not need to borrow. Money is only borrowed by those with no money. All people that borrow live in the Circulating Money component. Effectively, all bank repayments come from Circulating Money.

A strange problem occurs when the banks take more repayments than they lend. Hoarders do not borrow and nor do they pay repayments. It is the Circulating Money that falls. Bank lending and repayments dramatically affect the Circulating Money. During a fall in the Money Supply, Circulating Money falls which is reflected by a fall in the velocity. This is the primary reason for a fall in the velocity. The economists usually give inappropriate answers. They suggest that the people are hoarding. This is wrong because, in a downturn, the people have even less money than usual and tend to be penniless by the end of the

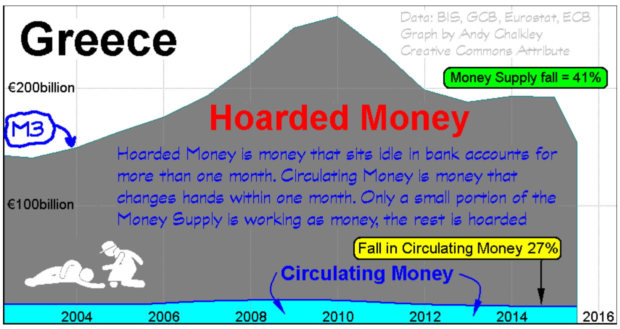
A diagram showing the effect of a 1% fall in the Money Supply and its effect on the Circulating Money.



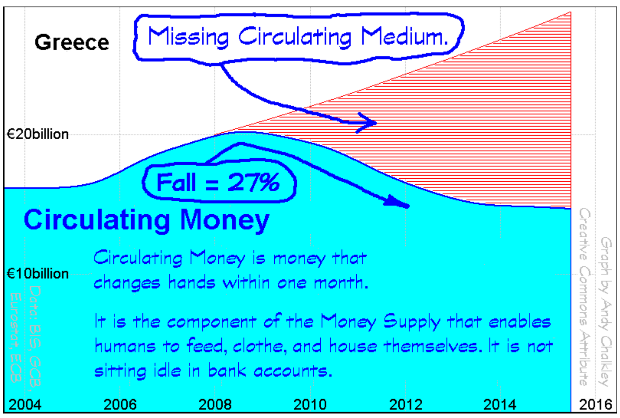
week. The workers are maintaining a velocity of fifty-two. The workers are not hoarding money, they are spending every cent they earn. The hoarders are skilled at keeping their hoards. They are very competitive at keeping and magnifying their hoards. They have managed to manipulate the tax system to avoid taxing their hoards. They also manipulate the tax system to avoid taxing money that may become hoarded. Hoarded Money is notoriously difficult to remove from hoarders. Decrease in velocity is natural due to the manipulation by hoarders. Increase in velocity is hard to obtain because of the political resistance by those with hoards to lose.When the Money Supply falls, Hoarded Money remains hoarded. The fall is taken from the circulating component of the Money Supply. The effect is a fall in the Circulating Money which is reflected as a fall in the velocity. This is why small falls in the Money Supply sometimes cause large falls in the GDP. This net diagram shows a fall in the Money Supply of one percent. This one percent is removed from Circulating Money. Hoarded money remains hoarded. The result is a twelve percent fall in Circulating Money. This results in a twelve percent fall in GDP.

At a velocity of one, a one percent fall in the Money Supply has the potential to cause a twelve percent fall in the GDP.

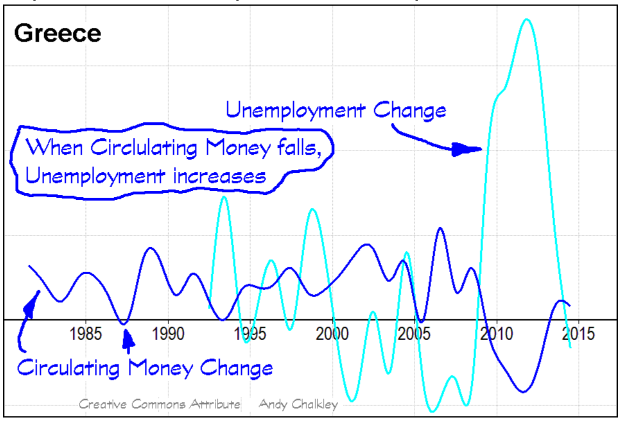
The building of hoards brings a cost to society as a whole. The cost is a lack of circulating medium. This graph shows the Money Supply for Greece. It shows the Hoarded Money in gray. The money that is actually moving is the Circulating Money which is shown in light blue:



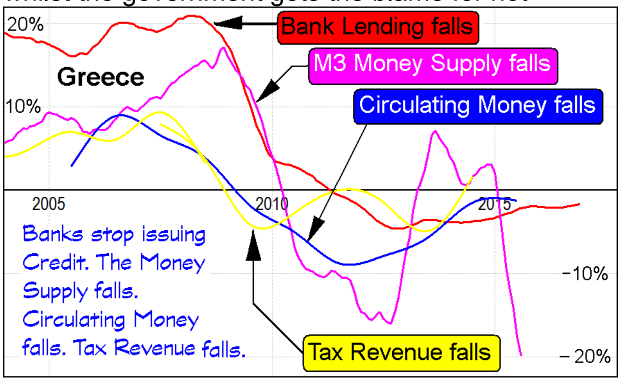
In Greece, the Money Supply has fallen. The damaging part was the fall in the Circulating Money (light blue). The Hoarded Money takes no part in the economy. It is the fall in Circulating Money that



causes the damage to the economy. Here is the Circulating Money with the y-axis magnified. The graph shows the Circulating Money with an expected annual expansion of five percent.



In this following graph, you can see that every time there is a fall in Circulating Money, there is a corresponding but larger rise in unemployment. This is not a fuzzy scatter graph. This is a direct correlation. Unemployment is light blue. The change in Circuiting Money is dark blue.This next graph will tax your understanding. In the following graph, a fall in bank lending causes a fall in the Money Supply which causes a fall in the Circulating Money which causes a fall in the Tax Revenue, whilst the government gets the blame for not



balancing the budget. The government won't be able to balance the budget because the businesses are not paying tax because they are going broke for lack of available credit to keep the

Marousi Metro Station, Σταθμός Μαρουσίου Athens by Andy Chalkley.

Circulating Money topped up.

Attempts to collect more tax have been futile. They have failed to increase tax revenue.[1] Besides the brain drain caused by the excessive tax rates, increased tax rates have not produced a greater tax revenue as expected by illogical economists. The logic is not difficult to follow. Increased tax rates damage the very transactions that produce the tax. The taxes drain the Circulating Money which destroys the real economy.

A fall in the level of loans issued whilst the banks continue to remove repayments will cause the volume of credit to fall. Hoarded Money remains hoarded because almost no tax is removed from Hoarded Money. The tax system is skewed in favor of those living in the suburbs where even the dog might be wearing a fur coat. In an affluent area of Athens, I found one shop displaying a bowtie dinner suit for a child and an underwear shop that sells items that would suit a stylish prostitute. A battered train brings people from areas with inadequate rental apartments to lavish areas where people pay remarkably little tax. Their wealth is not the problem. It is the hoarding of money that is the problem. The hoarders are remarkably efficient at maintaining and magnifying their hoards. The less well off aspire to become wealthy hoarders. It is not the ownership of these notes that makes a society wealthy.

A nation can print millions of ten euro notes, but it does not make the nation richer. A nation becomes wealthy not by ownership of ten-euro notes, but by the movement of ten-euro notes. The notes cost nothing to print. If they are printed and hoarded they remain worthless. Putting ten-euro notes under the mattress makes a nation poor. Rapid movement of ten-euro notes makes a society affluent. If the ten-euro notes move, skyscrapers are built. Rapidly moving ten-euro notes will build a powerful nation. The very same notes, when hoarded will starve a nation. The ten-euro note, above will starve or feed a nation depending on whether it is used. That is the magic of money. Money was a gift from one of our ancestors for us to circulate. The circulation of tokens gave us an affluent lifestyle. We were freed from chasing pigs through forests with spears whilst wearing animal skins. A ten-euro note that does not move is useless. A broken spear is useless to a hunter-gather. He cannot use a broken spear when he needs to hunt a pig. A broken spear does no work. A hoarded ten-euro note does no work.

[1] PwC tax summary in May 2016

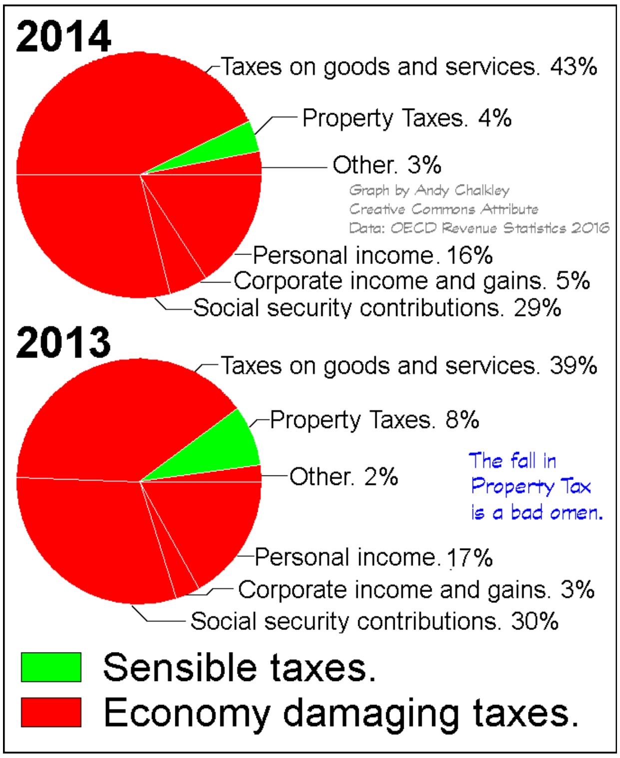
Chapter 7 - The Destruction of the Circulating Medium

The Destruction of Circulating Medium by Taxation

Tax is taken from Circulating Money as Income Tax, Company Tax, and Sales Tax. This table gives a breakdown of revenue sources for Greece. Almost all the tax is taken as the result of transactions. Almost all tax is taken from Circulating Money:

Item		2013	2014	
Personal income, profits, and gains	**Bad**	17%	16%	Taken from Circulating Money
Corporate income and gains	**Bad**	3%	5%	Taken from Circulating Money
Social security contributions	**Bad**	30%	29%	Taken from Circulating Money
Taxes on goods and services	**Bad**	39%	43%	Taken from Circulating Money
Property Taxes	**Good**	8%	4%	Taken from Hoarded Money and Circulating Money

Only the last item, Property Tax is not damaging to the economy. Greece is clearly not taxing correctly. Property Tax has fallen drastically from 8% to 4%. Property Taxes needs to be increased significantly. Property Taxes do not damage the economy. Increased property tax allows economy-damaging taxes such as Sales Tax, Income Tax, and Corporate Tax to be reduced. Do not underestimate the importance of Property Tax. The fall in the Property Tax in Greece from 8% to 4% has the potential to be deadly for Greece. Property Tax tends to harvest money from Hoarded Money, thus causing a minor rise in velocity. A portion of property tax tends to be taken from those with property who are those that have 'more money than they can spend'. Thus property tax tends to harvest Hoarded Money. The government then spends it back into circulation.

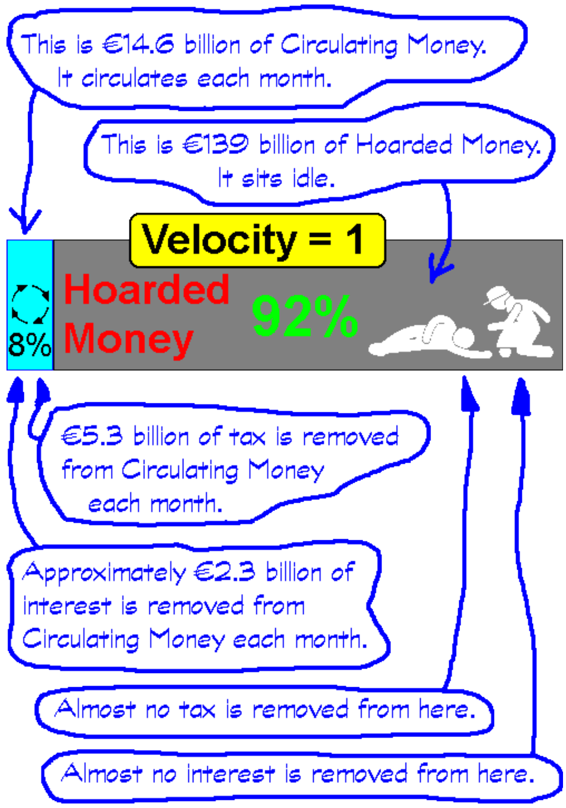


If half of the 4% decrease in property tax came from Hoarded Money, €1.2 billion would move into circulation. This has the potential to raise the Circulating Money by 8% with a consequent increase in the GDP of 8%. [1] [2] I have no exact way to determine what proportion of the Property Tax comes from Hoarded Money. However, the potential is there to significantly improve the economic figures with an increase in Land and Property Tax. When velocity is low, as it is in Greece, the economy is extremely sensitive to minor changes. This one fall in Property Tax from 8% to 4% could significantly affect this nation with such a low velocity.

The government spends the tax revenue back into society. The government taxes money from Circulating Money and spends money back into Circulating Money. A deficit is helpful in this regard. The government action is more helpful to the economy if some of the taxation is from Hoarded Money. Hoarded Money then moves from Hoarded Money to Circulating Money.

The Destruction of Circulating Medium by Taxation

It is unhelpful if the government taxes and refuses to spend back into Circulating Money. This happens when the government imposes Austerity Economics. Under Austerity Economics, the government attempts to increase taxation and cut back on spending. In the above diagram, it is essential that the government spends the €5.3 billion that it taxed out of Circulating Money back into Circulating Money. If it does not do so, it will severely deplete the Circulating Money. This will severely damage the GDP.



Austerity Economics is the reverse of what is needed to make the economy thrive. The first mistake is to increase tax rates. This tends to be revenue negative. Increased tax rates tend to stifle the very transactions that the government is taxing. It is like an arctic explorer eating the dogs that might drag him to safety. The government collects plentiful tax from a thriving business sector and the employees of these businesses. The tax revenue of Greece fell dramatically after 2008 as business was depleted by lack of circulating medium. If the government destroys the productivity of business by harsh taxation, it destroys government revenue. It is not wise to kill the businesses that provide the government with taxation. The second mistake is that the Money Supply of a nation needs to be maintained or mildly expanded. Whilst governments continue to borrow money rather than create money, it is necessary to maintain the level of debt. If the citizens are not borrowing, it is necessary for the government to take on additional debt. The debts are not repayable and so it is pointless for the government to even try to repay debt. Inflation will tend to make the debt less significant with time.

This is a list of countries that will find it impossible to repay debt:

Afghanistan, Albania, Algeria, Andorra, Angola, Antigua and Barbuda, Argentina, Armenia, Australia, Austria, Azerbaijan, Bahamas, Bahrain, Bangladesh, Barbados, Belarus, Belgium, Belize, Benin, Bhutan, Bolivia, Bosnia and Herzegovina, Botswana, Brazil, Brunei, Bulgaria, Burkina Faso, Burundi, Cabo Verde, Cambodia, Cameroon, Canada, Central African Republic, Chad, Chile, China, Colombia, Comoros, Democratic Republic of the Congo, Republic of the Congo, Costa Rica, Cote d'Ivoire, Croatia, Cuba, Cyprus, Czech Republic, Denmark, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, El Salvador, Equatorial Guinea, Eritrea, Estonia, Ethiopia, Fiji, Finland, France, Gabon, Gambia, Georgia, Germany, Ghana, Greece, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Hungary, Iceland, India, Indonesia, Iran, Iraq, Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Kiribati, Kosovo, Kuwait, Kyrgyzstan, Laos, Latvia, Lebanon, Lesotho, Liberia, Libya, Liechtenstein, Lithuania, Luxembourg, Macedonia, Madagascar, Malawi, Malaysia, Maldives, Mali, Malta, Marshall Islands, Mauritania, Mauritius, Mexico, Micronesia, Moldova, Monaco, Mongolia, Montenegro, Morocco, Mozambique, Myanmar, Namibia, Nauru, Nepal, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, North Korea, Norway, Oman, Pakistan, Palau, Palestine, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Romania, Russia, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, San Marino, Sao Tome and Principe, Saudi Arabia, Senegal, Serbia, Seychelles, Sierra Leone, Singapore, Slovakia, Slovenia, Solomon Islands, Somalia, South Africa, South Korea, South Sudan, Spain, Sri Lanka, Sudan, Suriname, Swaziland, Sweden, Switzerland, Syria, Taiwan, Tajikistan, Tanzania, Thailand, Timor-Leste, Togo, Tonga, Trinidad and Tobago, Tunisia, Turkey, Turkmenistan, Tuvalu, Uganda, Ukraine, United Arab Emirates, United Kingdom, United States of America, Uruguay, Uzbekistan, Vanuatu, Vatican City, Venezuela, Vietnam, Yemen, Zambia, and Zimbabwe.

This happens to be all of them. How can every nations be in debt? Surely, half should be in debt and half in credit.

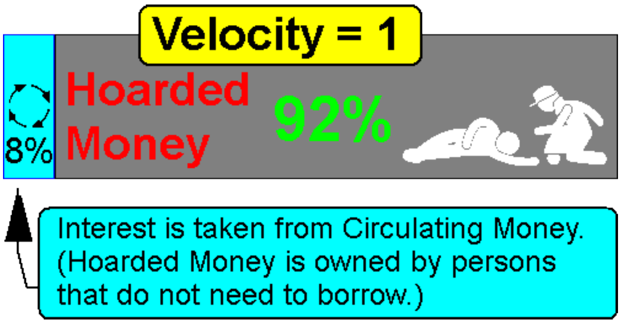
Tax Cuts and the GDP.

Tax Revenue in Greece for 2014 was €63.5 billion. [1] There is €14.6 billion of Circulating Money. If tax was cut by 1%, €0.63 billion would remain in circulation. This has the potential to boost the Circulating Money by about 4%. [2] This has the potential to lift the GDP by about 4%. This would lift the tax collection by an unknown percentage which could be as high as 1% of tax revenue. Thus a reduction in tax rates has the potential to harvest greater tax revenue. This is the opposite of what one might expect using simple logic.

Only eight percent of the Money Supply is actually circulating. If tax is cut by one percent, there would be a boost to Circulating Money of €0.63 billion. This represents an increase in Circulating Money of four percent. The GDP should be expected to rise by four percent. Sales Tax and Income Tax have the potential to harvest some of this back. Tax revenue could rise by 25% of the rise in GDP which could be greater than the fall in Tax Revenue. My argument is that it is possible to harvest greater tax revenue through tax cuts to bad taxes such as Sales Tax, Income Tax, and Company Tax.

The Destruction of Circulating Medium by Repayments

It is a similar, but different issue with bank repayments. Repayments are taken from Circulating Money because those with Hoarded Money do not need to borrow. When the banks cut back on lending, the reduction is taken from money that is circulating in the real economy. This is often noticed as a slight fall in the velocity of money. Hoarded Money remains hoarded and money is removed from money that is moving in business transactions.



The fall in Circulating Money adversely affects business. The consequence is a dramatic reduction in the tax revenue because tax is taken from money when it moves from person to person. Tax is taken when money carries out its designed duty of enabling the very transactions that enable civilized life. Humans exist by trading with each other. Hoarded Money sits idle in bank accounts adding nothing to economic activity, yet it is not taxed.

[1] OECD Revenue Statistics 2016 pdf download.
[2] 1.2 billion/14.6 billion=8%
[3] €0.63 billion/€14.6 billion=4%

Chapter 8 - Have you worked it out yet?

Have another look at the previous graphs. The procedure is:

- The bulk of the Money Supply is comprised of Bank Credit entries in bank accounts.
- Only a small fraction of the Money Supply is created by the Central Bank.
- The total volume of bank account credit increases if the banks make more loans than they collect in repayments.
- The total volume of bank account credit decreases if the banks collect more in repayments than they issue in new credit.
- The banks voluntarily stop lending.
- The total volume of bank account credit decreases.
- There is less money passing from person to person in transactions. The volume of Circulating Money has fallen.
- As business activity falls, tax collection falls.
- Government expenses rise as people demand welfare and the police use more bullets.
- Some clown suggests that the budget needs to be balanced.
- Somebody blames the government for not balancing the budget.
- The government increases tax rates.
- The increased tax rates take more tax from each transaction which damages trade and produces less tax.
- No one is clever enough to increase property tax, land tax, or wealth tax which do not damage

transactions and destroy trade.

- No one is clever enough to implement a Demurrage Tax in the form of a very small tax on money holdings.
- No one is clever enough to implement a very small Transactions Tax.
- No one is clever enough to recognize that an increase in velocity will have the same effect.
- The government cuts expenditure. The government collects tax and spends it back into society. Unlike the sovereign governments of the past, it no longer creates the money of the nation. The government only creates a small amount of Cash Currency which is paid for with bank credit and distributed in a cycle through banks. The government does not pay bills using the money that it creates.
- Government cuts do not help. Government departments cut services rather than costs.
- One repair is for the government to build some bridges using borrowed money. This puts money straight into the hands of those that will spend it immediately into the real economy. A strange quirk is that borrowing from institutions removes money from Hoarded Money and spends it into circulation.
- Government debts are not a significant worry unless the debt level increases dramatically. For there to be a steadily increasing Money Supply, the level of debt must rise. The debts can never be repaid. To attempt to repay the debt would destroy the vital circulating medium. The debt is public or private. Public debt is government borrowing. Private debt is mortgages and car loans etc. If the private sector is reluctant to borrow, it is essential that the government borrow money. The Money Supply must be maintained by increased debt somewhere. (Or velocity must be increased.)
- There are vast quantities of money sitting idle in bank accounts. The easiest way to boost the economy is to persuade some Hoarded Money to become Circulating Money.
- A false repair is for the central bank to buy government bonds which is a posh name for government IOUs. It does so by creating money through account entries. This is a privilege denied to the treasury department by an arrangement that came about with the installation of William of Orange. To become king, William agreed to borrow money rather than create money as his predecessors had done. From the time of William of Orange, fresh money was only available if it was borrowed. When the central bank buys government IOUs, it tends to buy them from financial institutions. These spend little into the real economy and so the money tends to become hoarded as witnessed by a decrease in velocity.
- As the borrowed money is impossible to repay, it is unwise to try and so so. To attempt to repay debt simply destroys the vital circulating medium. Debt simply must be allowed to rise. The lenders do not want a default. A default by a large borrower, such as a government, could bring the system down. It is essential that government allows debt to slowly build up. An excessively fast buildup is dangerous. Reduction in debt devastates the economy.
- In the event of a bank system failing to lend sufficient into society, it is essential for the government to take on debt and spend it into society. (Or increase velocity.)
- Other important components of a solution include reduction of economy-damaging taxes such as Income Tax, Company Tax, and Sales Tax. One particularly damaging component of taxation is depreciation. Depreciation needs to be made optional. Another damaging component of taxation is the treatment of inventory. Money spent on inventory is an expense that obtains goods for sale. No income is made until the goods are sold. Taxes need to be implemented on Hoarded Money.
- One spectacularly successful procedure is for the government to operate a range of public banks under the titles of National Public Bank, National Development Bank, various state banks and community banks. These ensure that credit is available for all economic and entrepreneurial activities. Public banks can lend in a procyclical manner, which means that they lend when the private banks cease to do so.

Can you see the solution for Greece yet?

King Pin suddenly clicked. Money had to exist **and be moving**. King Pin had put money into circulation but the people were not using it. They were hoarding it. There was adequate money, but it was not moving.

King Pin issued a new order. If anyone holds a silver coin for more than one month, the coin will be subject to a tax of ten percent. Tax also had to be paid on silver jewellery. Suddenly, the coins came out of hibernation. People stopped selling their daughters into a life of prostitution. King Pin realized something that most economists do not understand. Money has to exist **and** it has to be moving. He instinctively knew that the economist's definition of money had a fault. Money cannot be used as a store of wealth. King Pin was not stupid enough to create more tokens for people to hoard. King Pin made the economy vibrant again by ensuring that tokens were doing what they were designed to do. King Pin made the money move.

Luckily, King Pin didn't have economists in his kingdom. He instinctively knew that money had to move.

Have you worked it out yet?

Greece is not short of money. Greece has money, but it is not moving. All that has to be done is to be wise like King Pin and make the money dance for the real economy. The task is to stop the hoarding of money. Tell the hunter-gatherer not to burn his spear and tell the clowns not to hoard their ten euro notes. Chase the pig and make the money move. There are a few ways to make money move, but the simplest is to implement what is called a Demurrage Tax. A Demurrage Tax is a very small tax on money holdings. A recommended Demurrage Tax would be a small monthly tax on bank account balances.

King Pin's action ensured that coins changed hands at least once a month. To the economists, this is a velocity of twelve. No nation has managed this velocity in a very long time. West Bank and Gaza managed to reach a dizzy velocity of 6.5 in 2012. Only demurrage money manages to break the economic speed record with reported velocities between 11 and 23.[1] The velocity of Greece is now below one. This means that on average, the money in Greece is changing hands less than once each year. Please don't blame the ordinary people. They are broke at the end of each week. All their money is spent on living and has evaporated by the end of the week. Ordinary people are on a velocity of fifty-two. Some people have money and are hoarding it.

The assumption is that Greece needs more money. King Pin will tell you otherwise. Just make existing money move a little more often. There is not much point in having money and not allowing it to conduct transactions. You feed yourself when transactions occur. You go hungry when money sits idle. In Greece, there is €162 billion in the Money supply. With a population of 10.9 million, this equates to €14900 per Greek. The problem is that this €14900 is barely moving. Not many Greeks have €14900 in their bank accounts. Most have close to zero. Most Greeks are spending their meagre earnings as soon as it arrives. This money is hoarded in the hands of the very small percentage of persons that don't struggle to pay their rent at the end of each week. All that is needed for a Greek recovery is for those that have money stashed in banks to spend some of it on a regular basis. The poor people are doing their part by spending what little they have on a weekly basis. The poor represent a velocity of fifty-two.

In Greece, the money is changing hands on average once in a year. In Australia, we make jokes about things being as boring as "watching paint dry" and "watching the grass grow". But Greek money is slower than paint drying and slower than watching the grass grow. Greek money is slower than waiting for Christmas. On average, Greek money only changes hands once a year. Money has been hoarded by those that are lucky to have some money. The poor are not hoarding money because they don't have any. Money cannot circulate because it is locked in the bank accounts of people with 'more money than they can spend'. Only 8% of Greek money changes hands with any regularity. That regularity is one month by which time the paint will have dried in Melbourne and Australians will have mown the lawn four times. Scare yourself with another look at the velocity for Greece!

2001	1.37	2004	1.39	2007	1.14	2010	0.97	2013	0.96
2002	1.44	2005	1.31	2008	1.00	2011	1.04	2014	0.97
2003	1.45	2006	1.25	2009	0.92	2012	1.02		

Here is a list of the Hoarded Money for the last few years in billions of Euro. This is money that sits idle in bank accounts for a time in excess of one month.

2001	€127B	2005	€157B	2009	€241B	2012	€172B
2002	€124B	2006	€173B	2010	€214B	2013	€178B
2003	€132B	2007	€199B	2011	€182B	2014	€177B
2004	€144B	2008	€231B				

Here is a list of the Circulating Money. This is the money that changes hands within one month.

2001	€16.4B	2005	€19.1B	2009	€19.9B	2012	€16.1B
2002	€16.9B	2006	€20.2B	2010	€18.9B	2013	€15.4B
2003	€18.1B	2007	€20.9B	2011	€17.2B	2014	€15.5B
2004	€18.9B	2008	€20.8B				

[1] The Chiemgauer is a regional community currency circulating in Germany since 2003 using a demurrage system. At 2011, its annual revenue was about the equivalent of €6 million. The Chiemgauer has a demurrage fee of 2% per quarter. It has an account fee of 0.02% per day. It has a velocity of 11.3 although it has reached a velocity of 23.

Chapter 9 - The Magic Cure

The magic cure is to bring money out of hibernation. To do this it is necessary to create two new very small taxes. The taxes are Demurrage Tax and Transaction Tax. It is also necessary to adjust some existing taxes to encourage economic growth.

It is correct that the economy could be turned round with an increase in the Money Supply. It requires that the fresh money goes into circulation and that is not a given. It is likely that the money gets into the hands of the hoarders. This is the obvious solution. The less obvious solution is to recognize that there is still great quantities on money in the Greece but it has a low velocity of less than one. This corresponds to an average holding time between transactions of one year. Not all money is moving in the same manner, so this equates to 8% of the money moving within one month. All of the transactions within Greece could be operated with only 8% of the current Money Supply. The task is to make it move a little faster. About ten percent faster each year might be convenient. With such a low velocity, this is easy to accomplish. The task is so easy that the problem is restricting the increase.

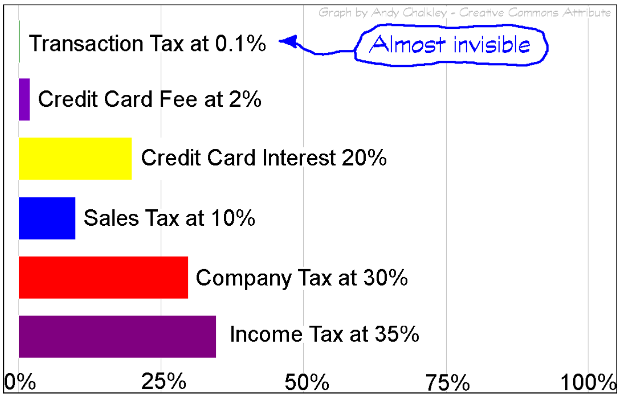
Demurrage Tax

A typical Demurrage Tax is a small tax of 1% charged monthly on money holdings. In bank accounts, this is removed from accounts monthly. In a steady state economy, this tax encourages citizens to spend money in a short time frame. A Demurrage Tax is a strong disincentive to the hoarding of money. Citizens wishing to save are thus encouraged to save in any other medium except money.

In a steady state economy, Demurrage Tax is an excellent way of decreasing the volume of Hoarded Money. It is somewhat like a negative interest rate. If you spend money, there is no charge. If you hold onto money, there is Demurrage Tax to pay. The tax is typically charged on a monthly basis. There are numerous examples of Demurrage Money in history from the successful stamp scripts during the mislabeled 'Great Depression' to the Grain Banks and Grain Receipts of the Dark ages, Middle Ages and Ancient Mesopotamia, and Ancient Egypt. In our situation, a Demurrage Tax would take the form of a monthly 0.1% tax on unused money in bank accounts. This is commonly called "minimum monthly balance". This would raise 1.2% of minimum monthly balance which is approximately 1.2% of 92% of M3 Money Supply. This would raise the GDP by about 13% [1]. The problem with a figure of 0.1% is that it may be a little on the high side. It may have to be halved.

Transaction Tax

A Transaction Tax should be implemented on all transactions at about €1 per €1000 (0.1%) or less. This is much less than the current Sales Tax of €100 per €1000 and income tax of about €300 per €1000. Individuals already pay private transaction fees to banks on general transactions and credit card transactions at a higher rate than would be charged by a Transaction Tax. To ordinary people, the Transaction Tax would be invisible. The Transaction Tax is same as a Robin Hood Tax except that it is applied to all transactions. Many people already pay the equivalent of a Transaction Tax in the form of transaction fees on credit cards. To the cardholder, the fee is mentally incorporated into the cost and the minor fee is considered a convenience fee. A Transaction Tax is of the order of one-twentieth of a credit card transaction fee. Transaction Tax would be of the order of 0.1% as against a credit card fee of 2%. The top line of this graph shows an almost invisible tax of 0.1%.



Adjustments to Other Taxes

Land Tax and Property Tax need to be a higher proportion of the tax mix. These taxes do not harm production but their increase allows harmful taxes to be reduced. Implementation is always unpopular.

Increased Income Tax tends to stifle business activity to the extent that no extra tax revenue is collected. Income Tax destroys the business activity which destroys the tax collection. It is better to keep the Income Tax rate moderate to maximize tax revenue. Income Tax tends to send businesses to the moneylenders.

Company Income Tax tends to stifle business growth which destroys the ability to collect tax revenue. Never assume that a rise in Company Income Tax rate will increase the tax revenue. The opposite is likely to be the case. A decrease in the Company Income Tax rate may increase the tax revenue.

Expanding businesses suffer from an accounting anomaly. Accountants calculate the profit of a business and record it as the income of the business. This is bad practice. Expanding businesses purchase equipment with income. The equipment purchase is an expense that is recorded as an asset. The money that would have been the income to feed the family is not deductible as an expense. This forces businesses that wish to expand to make a visit to the moneylenders. The tax ruling on depreciation discourages those businesses wishing to expand. Businesses should be encouraged to expand by removing the impediments to expansion.

There is another accounting anomaly in the treatment of inventory in a business. Inventory is an expense to purchase stock. No income is generated by the stock until the stock is sold. Tax rules treat inventory as an asset rather than an expense. Expanding businesses fall into a tax crisis if they try to expand. Cash accounting is slightly better in this regard than the accrual accounting encouraged by accountants.

Sales Tax is a tax taken at time of a transaction. It directly removes money when it is moving. Money that is not moving acquires no tax. Money that moves is taxed heavily. Some transactions escape tax. Sales Tax is charged on gold paint and gold-plated electrical connectors. No tax is paid on the purchase of gold bars or shares in a gold mine. The tax system has been distorted to favor those with 'more money than they can spend'.

[1] This equates to 1.2% per annum on Hoarded Money. If spent back into circulation, this would raise the Circulating Money by (1.2x92xM3)/(8%xM3)=13.8%

Chapter 10 - More on Money

The Cost of Providing a Circulating Medium

Greece has a velocity of about one. This means that only 8% of the Money Supply is changing hands each month. 92% of money is idle in the hands of people who hold it rather than spend it. The 8% of money that is circulating is doing the work of money in the real economy that feeds, clothes, and houses the Greek people. In Greece, there is three and a half times as much debt as money. Total Debt is €548 billion. If the average interest rate in Greece is 5%, there is €27.4 billion in interest. For the €14.6 billion that is working as Circulating Money, there is an associated interest of €27.4 billion. (People with Hoarded Money do not pay interest because they do not borrow money.) For each €1000 that is working, there is an annual interest of €1877. It is costing Greek citizens €1877 in interest charges to lenders for each €1000 that is circulating. These interest charges by lenders for the provision of a circulating medium are a little on the high side. If the velocity was brought up to say: two or three or four or five, the charge would be brought down significantly. These interest charges make it difficult to escape the debtor's bind as discussed to by Moses, Jesus, Mohamed, and other prophets.

The Flow of Money

Cash Currency in Greece is created by the Greek branch of the European Central Bank. The government does not use Cash Currency to pay its bills. Cash Currency enters circulation when people exchange it for credit in their bank accounts. The banks purchase Cash Currency from the ECB using credit. Cash Currency is used almost exclusively in the retail sector. Other than the retail sector, transactions are affected by shuffling numbers in bank accounts. So let us study bank accounts. In Greece, there is €29 billion Cash Currency as folding notes.[14]. Much of this is in people's wallets. The Money Supply is listed as €163 billion. €124 billion of this never originated from the ECB. This vastly exceeds the volume of Cash Currency issued by the ECB. This money is virtual. It is credit for €124 billion in real money that does not exist.[14] It is the amount that the banks owe their customers. No bank collects all the money at once, so the system works. The banks create more credit which allows previous interest to be paid. This credit is created by the fascinating process of double entry accounting. If you are buying a house for a million euro, the bank does what it is good at and that is bookkeeping. The bank writes one million euro with a plus sign in the seller's account and one million euro with a minus sign in your account. From that second, there is one million euro more money in the nation and one million euro more debt. The rate at which banks lend credit determines how much credit there is in the nation. Cash Currency can only be obtained from banks in exchange for Bank Credit, so bank lending entirely determines the magnitude of the Money Supply.

Some money in the Money Supply sits idle in accounts for years on end. The money that changes hands regularly in the real economy is the only money that benefits society. I draw the line at one month. If a money unit changes hands within one month, I class that unit as Circulating Money. Money that sits idle, I class it as Hoarded Money. Greece has a velocity of one which is equivalent to 8% of money being Circulating Money. Velocity tends to change very slowly and so it is often ignored in economic analysis. This is a major flaw of economics. Velocity is a killer or a savior. Velocity influences the economy just as much as the magnitude of the Money Supply. Ignore velocity at your peril. The Money Supply is so highly considered that it is divided into different sections: M0, M1, M2, M3 and other terms like Monetary Base and Broad Money are used. Velocity has the same influence as all of these. A horribly simplistic assumption is made that the economy depends upon the Money Supply. This is totally unrealistic and misleading. The GDP is equal to Money Supply times velocity. It should be obvious from this equation alone that Velocity has the same influence as Money Supply. In simple terms: The Gross Domestic Product is equal to the Money Supply and how many times the Money Supply is turned over in a year. If you have a million euro in a suitcase and travel to Egypt and buy one million of shoes, then your annual turnover is the number of times you go to Egypt in one year. If you go to Egypt six times, then your turnover is six million. It is the same with a nation. If you turn over the one billion Money Supply six times in a year, velocity is six and your GDP is six billion. Money needs to change hands many times in a year to be useful to society.

Let us consider how money gets into circulation. People take out loans for houses, boats, businesses, and cars. The money is created as book entries and passes from person to person by transferring ownership in bank accounts. Thus the banks are the only creators of money. Cash Currency is a side show. You buy it with bank credit from a bank and it goes on a repeated cycle of: ATM > citizen > retailer > bank > ATM > citizen > retailer > bank > ATM. So the source of all money is bank loans.

If a business needs money, it goes to the bank and the bank creates fresh credit. The Money Supply increases by the amount of the loan. If an individual needs money, the individual gets a job or goes to the bank and the bank creates fresh credit. The Money Supply increases by the amount of the loan. If a company needs money, it has a few extra choices. It may borrow money from a bank and increase the Money Supply. It may issue shares or it may issue bonds. If it issues shares, it is giving away ownership of the company to those with more money than they can spend. These people take no stress in the day to day running of the business but get the financial reward at the end of the year. The purchase of the shares is done with existing bank credit. No new Bank Credit has been created. If the company creates a bond, the bond is an IOU with a fixed redemption date. The bond will be purchased with existing credit. There is no increase in the Money Supply but there is a strange effect. The bonds are prone to be bought with Hoarded Money and the company spends it into circulation. A minor rise in velocity occurs.

When a government needs money, it borrows money by issuing bonds. The bonds are paid for with existing bank credit transferred to a government bank account. There is no increase in the Money Supply. However, the bonds tend to be bought with Hoarded Money so there will be an increase in velocity. On rare occasions, when the government cannot obtain money from the sale of bonds, the central bank steps in and creates money out of thin air and purchases government bonds. If the central bank purchases freshly issued bonds from the government, the Money Supply increases, and the money is spent into circulation. This increases the velocity. If the central bank purchases existing bonds from financial institutions, there is an increase in the Money Supply but the money is prone to become hoarded. This is what happened with Quantitative Easing. The money became hoarded. You now know more than all the treasurers in the world combined.

When the banks lend money, it is important how it is spent. This characteristic decides whether new credit causes inflation or business activity. If new money is lent to purchase assets such as houses or shares, inflation will occur without any increase in the real economy. The GDP will not rise and may even fall due to increased rents to businesses. If money is lent to businesses for expansion, the real economy will expand and the GDP will rise. This is why a public bank is essential. The public bank makes sure that credit is available for business and infrastructure. The public bank is run for the benefit of the nation.

Living with Debt

One of the first readers of this booklet, Eileen, could not accept the level of debt that I suggest has to be accepted. I sympathize with her. All the nations of the world have been bequeathed a debt banking system. The whole money system will need an overhaul to achieve this. We have lived with heavy debt for a few hundred years. We have lived with unpayable debt for a few hundred years. We can live with debt. It is collapse that is to be feared. Debt is a minor problem compared to financial collapse. With debt, some go hungry. With collapse, we starve. Rich and poor alike will fight for scraps of food.

There is some advantage with operating under debt. Everybody works hard to pay off debt. This means that farmers produce plentiful crops, workers work hard to pay their mortgages, entrepreneurs are productive, and inventors are creative. There is plenty of product to be absorbed with your income. Debt tends to be nullified by inflation. People get nice houses and a nest egg for retirement. Thus, I have given the formula to make the money that exists work faster. There is no way the current system can operate without the great debts. When all money originates as a credit to a seller and a debt to the purchaser, interest will ensure that debt grows faster than money. There is no escaping this.

If you wish to operate a system with no debt, you will need what is called a sovereign money system. In this system, the government creates money at the treasury and spends it into society. The society is basically debt free. Many nations have had this system until a debt based system is teased into place. England had the tally stick system for seven hundred years. The king had notched sticks of wood split in half. One-half was retained to prevent forgery. The other was spent into society. The king would build bridges, roads, ports, and public buildings. It is a beautiful debt free system, but it has one massive flaw and some minor flaws. The minor flaw is that the volume of money in society is dependent on the whimsical spending of the king. The big flaw concerns businesses. Businesses need money before they can make money. Businesses need credit so that they can start. Then they need money to cover operations. Banks are remarkably good at this. Banks evaluate risk extremely well. Government entities are extremely poor at evaluating risk. The modern way to operate a sovereign money system would be for the treasury to create the money in both paper form and digital unit form. Each digital unit would be numbered and traceable and would be like a digital drachma note. The government would spend the drachma digital notes into circulation. To ensure that business had access to credit, the treasury would fund the banks with loans at a very low interest rate. The treasury would lend banks paper and digital notes on an 'as needs basis'. Lending patterns and inflation could be controlled. Loans for asset appreciation and asset speculation could be curbed. So money would be available to first home buyers at a low interest rate. Money would be available for business startups and for business operation. Money would not be available for stock market speculation or for land and property speculation. Money for property speculation is commonly masked as 'investment in property' to hide its speculative nature.

Pastor Sheldon Emery words it this way: "Under the Constitutional system, no private banks would exist to rob the people. Government banks under the control of the people's representatives would issue and control all money and credit. They would issue not only actual currency, but could lend limited credit at no interest for the purchase of capital goods, such as homes.
A $100,000 loan would require only $100,000 repayment, not $270,456.00 as it is now. Everyone who supplied materials and labor for the home would get paid just as they do today, but the bankers would not get $170,456.00 in interest.
That is why they ridicule and destroy anyone suggesting or proposing an alternative system." [13]

You may wish to take on the bank system. If you win you may crash the money system. You will win, then you will starve. It is better to make a few adjustments to the tax system.

London Times -1865: "If this mischievous financial policy [of creating a debt-free currency], which has its origin in the American Republic, shall become permanent, then that government will furnish its own money without cost! It will pay off its debts and be without debt. It will have all the money necessary to carry on its commerce. It will become prosperous without precedent in the history of the world. The brains and the wealth of all countries will go to America. That government must be destroyed or it will destroy every monarchy on the globe!" [13]

Debt-free drachmas would make your country prosperous beyond imagination. But alas, it is not going to happen because you cannot even make the money you have in Greece work for you. You will have to stand by and watch these coordinated corporations mortgage your nation. They will takeover the lands, the houses, the businesses, the farms and the factories. Land has titles. They will own the titles. Houses have mortgage papers. They will own the paperwork. Businesses become companies. Companies have shares. They will own the shares. The nation has a propaganda system. They will own the propaganda. The nation has politicians. They will own the politicians. They will own the land you stand on. They will own the water you drink. They will own the factory you work in. They will own the political parties you vote for. By craft and cunning, they will follow the formula of Moses and own everything that sustains your life. They will destroy the Christian basis of European order. They will create social disharmony and change the racial mix. They will make the working man reliant on their drab factory jobs. They will make politicians dependent upon their funding. They will make parliaments dependent upon their financial control of the money supply. They will lend so that you can buy what was freely provided by nature for all living things to share. You cannot change this. But you may be able to change the way the tax system works to make sure that those with swimming pools do not hoard the money. It matters little how many swimming pools they own. It matters that the money moves. There is only be half the money supply that could have been if the banks had not ceased to issue credit. Double the speed of movement of money and you will achieve the same affluence. Everyone in Greece has the potential to have access to a pool or own a pool. It will never happen if the money is idle. The unemployment has gone from low to high. There are vast numbers of Greek people available to work. There is a vast amount of work to be done. The missing ingredient is the transport medium. There is a lack of circulation of money. Make the money move faster. Remove the money from those that sit on money. Because Greek people do not understand the money system, they are easily robbed of their assets, saving, and their property. Do not ask an economist. They don't know either. They think that the current debt banking system is normal. They see no anomaly that every nation is in debt to international banks. They think that it is necessary to increase the Money Supply.

Humans

It should never be forgotten that humans live by trading services with each other. Someone invented the money token. The token made the trade very much easier. The token is much easier than carrying a cow around. A token holds the value of one transaction until the next transaction. The token was invented to enable trade. It was a gift to the human race. It is 'our' money system and it was not invented so that rich could abuse poor. It was not given so that a certain few could abuse it. It was never invented for people to hoard. It was never invented so that some could make more tokens from tokens. Any person that hoards tokens is standing against the human race. Anyone who manipulates money to make money is standing against the token system belonging to the whole human race. These people must be told in no uncertain terms that their actions are wrong. We need a revival of the approach by Jesus and also that of the Essenes. They stood against the abuse of the poor through the manipulation of the money system. The stand of Jesus was particularly against the use of money to make more money. Mohamed was even more detailed than Jesus. The new messiah declares that the making of money from money is evil. He declares that the hoarding of money tokens needs to be prevented. Much evil has been perpetrated on the Greek people. The monetary straightjacket of the EEC is a significant problem, but the immediate problem is that the money that actually exists in Greece simply is not moving. Money must be taken from Hoarded Money by adjusting the tax mix. Money must also be taken from money likely to become Hoarded Money. As such, a minuscule transaction tax needs to be implemented. This is very likely to be 0.1% of every transaction occurring in Greece, without any exceptions. There should be no exception for financial transactions. Land Taxes of all types should be a bigger share of the tax mix. Circulating Money can be treated more kindly than at present by relaxing depreciation rules, by adjusting the non-deductibility for trading stock, and reducing Sales Tax.

Implosion

Do not forget that the bank system is not protected against implosion. Glass-Steagall is needed to accomplish the protection. Glass-Steagall separates the Commercial Banks from the Investment Banks. Commercial Banks operate the fabulous payments system that is essential for life as we know it. Commercial Banks look after businesses operating in the real economy. If Commercial Banks are tied to Investment Banks, a failure of one or more Investment Banks could collapse the financial system and bring the Commercial Banks down with them. If you think the past few years have been tough in Greece, imagine what it is going to be like if the banking system collapses.

IMF

The IMF claims to do this:

"The IMF's main goal is to ensure the stability of the international monetary and financial system. It helps resolve crises, and works with its member countries to promote growth and alleviate poverty." [IMF website] [1]

And this:

"The International Monetary Fund (IMF) is an organization of 189 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world." [IMF website] [3]

And this:

"The IMF's primary purpose is to ensure the stability of the international monetary system—the system of exchange rates and international payments that enables countries (and their citizens) to transact with each other. The Fund's mandate was updated in 2012 to include all macroeconomic and financial sector issues that bear on global stability." [IMF website] [2]

It has a membership of 189 countries and is conveniently headquartered in Washington, D.C. The IMF has been remarkably ineffective at its major tasks. The world economy is still prone to collapse. Poverty has not abated. What the IMF actually does is this:

"The IMF lends money to member countries faced with balance of payments problems, ie when a country fails to earn sufficient foreign currency—through exports or provision of services—to pay for its imports. In return for financial assistance from the IMF, borrower countries must implement a set of economic reforms aimed at overcoming their balance of payments problems. Loans are disbursed in installments and payment is tied to the countries' compliance with the structural adjustment policies." [IMF website] [2]

Those last words are not the words of a conspiracy nut, they are the words on the IMF website. The IMF gave 'surveillance consultations'. There were 130 consultations in 2013, 132 in 2014, and 124 in 2015.[2] The IMF uses its lending to influence and direct the internal policies of democratic nations. The IMF instructions are worded as 'practical help'. [3] Even without loans, the IMF has influence:

"... the IMF is charged with (i) overseeing the international monetary system to ensure its effective operation, and (ii) monitoring each member's compliance with its policy obligations." [IMF website] [2]

All the above quotes were from the IMF website. The IMF has created a type of 'global governance'. If the IMF lends money to nations, the conditions are particularly stringent. These nations then operate under a debt induced control. The IMF is strengthening the legal framework for its surveillance. This quote is from a European Central Bank annual report:

"Nonetheless, there is still margin for further enhancing IMF surveillance of the EU and the euro area." [ECB] [5]

and

"...which enables the IMF to survey all policies that are relevant both for a member's external and domestic stability." [ECB website] [5]

The IMF enforces policies with the dubious claim that the policies will promote stability. Stability is very difficult to argue against. If an official says that a policy is needed for stability, it is difficult to argue that the policy is not needed for stability.

Criticisms of the IMF

The list of criticisms about the IMF is long:

- The chronic failure of the IMF to identify unsound policies before crises hit.
- The IMF serves the interest of wealthy countries and Wall Street.
- Affluent nations dominate the IMF decision-making process.
- The IMF places the interests of bankers, speculators, and corporations ahead of the needs of the people of the world.
- IMF policies have systematically undermined democratic principles and eroded human rights protections in many countries.
- The institutions operate as an international loan shark.
- The IMF encourages national leaders to place the interests of international financial investors above the needs of their citizens.
- The World Bank and the IMF attach conditionalities to their loans. These conditionalities follow what is called the ‘Washington Consensus’. This places a focus on liberalization of trade, liberalization of investment, liberalization of the financial sector, privatization of nationalized industries, and deregulation.
- The IMF damages the economic and political sovereignty of the borrowing nation.
- Imposition of free trade has hindered economic growth and increased poverty and inequality. Countries that have resisted free trade often manage to decrease poverty and increase employment.
- At least twenty-three African countries spend more money on debt repayment than they spend on healthcare.
- The strict IMF recommendations fail to resolve the economic problems.
- IMF packages damage social outcomes particularly in public health and education.
- IMF demands that countries privatize government services rapidly. They are sold to profit orientated private investors. This includes water supply and utilities.
- The IMF has been criticized for supporting military dictatorships.
- IMF policy enforces the reduction of government borrowing. The potential effect of this to lower the money supply and send the nation into a recession.
- IMF policy encourages higher taxes. The potential effect is to damage business, reduce the GDP, and then damages the tax revenue.
- IMF policy encourages the government to reduce expenditure.
- The IMF recommends that failing firms to go bankrupt.
- There have been at least 100 protests against the IMF policies.
- The IMF displays a lack of ‘transparency’ in its decision making. It preaches to its ‘clients’ a policy of transparency and openness to competition.
- The emphasis on expanding exports has been disastrous for the environment.
- The IMF has a terrible record of mistreating, looting and impoverishing countries to benefit large corporations.

Unfortunately, most of these policies are the policies that one would choose if one was trying to follow Moses in Deuteronomy:

Moses “For the Lord thy God blesseth thee, as he promised thee: and thou shalt lend unto many nations, but thou shalt not borrow; and thou shalt reign over many nations, but they shall not reign over thee.” [Deuteronomy 15:6] and

“When the LORD your God hands these nations over to you and you conquer them, you must completely destroy them. Make no treaties with them and show them no mercy.” [Deuteronomy 7:2]

As Christians, we must abandon the old testament. Jesus rejected the Old Testament concept of an Eye for an Eye.

A debt crisis provides an opportunity to quickly impose conditions upon countries when they are desperately in need of credit. Conditions are called “Structural Adjustment Programs” which demand changes to a nation’s policies that open the nation to international takeover by multinational corporations working in tandem with private corporations masquerading as international banks. There is less questioning about Structural Adjustment Programs when a country is in need of a bailout. The policies implemented during a Structural Adjustment Program tend to be devastating to a developing nation. When the debt crisis arrived, Greece was starved of credit. Greece had little choice but to sell out their economy to foreign purchasers. Greece came under a form of financial colonialism neatly packaged as a neo-liberal economic theory.

John Perkins wrote an interesting book called the “Confessions of an Economic Hit Man”, in which he described his time as an economic planner in the 1970s. He wrote how Third World nations were enticed into debt by the IMF and World Bank. He would negotiate very large loans to Third World nations which the borrowers would have no hope of repaying. When default occurred the lenders would demand the natural resources and utilities and would gain control of its economy and political system. Enticements included cash, hookers, cocaine, and luxury. Any leader who would not cooperate would be overthrown in a CIA coup or even be assassinated. As is usual with bank lending, the money lent by the IMF and World Bank did not exist until it was lent. John Perkins was describing usury of a truly international level.

IMF Riots

Joe Stiglitz: “Every country the IMF/World Bank got involved in ended up with a crashed economy, a destroyed government, and sometimes in flames with riots.”

[1] IMF website. “The IMF at a Glance” https://www.imf.org/external/about/howwedo.htm retrieved 2017-02-25.
[2] IMF website about page. “The IMF at a Glance” http://www.imf.org/external/about.htm retrieved 2017-01-29.
[3] IMF website about page. “About the IMF” http://www.imf.org/external/about.htm retrieved 2017-01-29.
[4] IMF website “How we do it.” www.imf.org/external/about/howwedo.htm retrieved 2017-01-30.
[5] European Central Bank website “IMF Surveillance in Europe” www.ecb.europa.eu/pub/pdf/scpops/ecbop158.en.pdf retrieved 2017-01-

30.
[13] “Billions for the Bankers, Debt for the People”. by Pastor Sheldon Emry
[14] Trading Economics

Chapter 11 - The Cure

There are two cures for Greece.

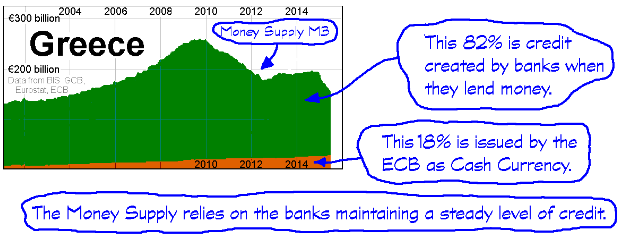
A) More Money. This is the illogical approach. This means borrowing more bank credit.

B) Make the money that exists move faster. I call this a “Velocity Repair”.

The banks have failed to maintain their credit component of the Money Supply. Credit comprises 82% of the Greek Money Supply. The banks have allowed their component of the Money Supply to fall from €221 billion in 2008 to €127 billion. The banks are the poorest performing entity in Greece. They have failed in their duty to the nation. The Cash Currency created by the ECB had not fallen. The Cash Currency has increased from €14 billion to €26 billion during the same time. We are talking about an utter failure of the banks to maintain the level of credit in the nation. A worse behavior by private banks could not be wished on any nation. You would not even be this cruel to your enemies. Only Moses from the old testament was this cruel.

Moses: “For the Lord thy God blesseth thee, as he promised thee: and thou shalt lend unto many nations, but thou shalt not borrow; and thou shalt reign over many nations, but they shall not reign over thee.” [Deuteronomy 15:6]

The chances that Greece will manage to get the banks to resume lending is small. They are using illogical arguments to avoid doing so. Anyone that argues that the debts need to be repaid when there is not one country in Europe that can repay its debts is a fool. The bailouts are a pretense that the banking establishment is saving Greece. Money is a freely created commodity. The bailouts are saving the banker’s money system. Without the bailouts, the money system goes down. That is not the fault of the Greek government. It is not the fault of the Greek people. It is the fault of the banks failure to maintain their component of the Money Supply.



It is the fault of the banks creating an impossible contract. It is the fault of the banks creating unpayable debt. The banks collectively create credit which they require to be repaid with more credit than was issued.

This leaves us with the second option. The cure for Greece is to get the money that exists in the nation to move by any means possible. The time has come for Greece to lead the world and show how to escape the Houdini grip of the money hoarders. Freedom starts beyond the four walls that is your money system. Greece has a money shortage that is not a money shortage. Greece needs a velocity repair.

To get the money to move faster, various actions are helpful.

- Implement a small tax on bank accounts. This would probably be of the order of 0.1% per month on the minimum monthly balance. [Used money is exempt.] [This equates to 1.2% per annum on Hoarded Money. If spent back into circulation, this would raise the Circulating Money by 13% [(1.2x92xM3)/(8%xM3)=13.8%] and cause a 13% increase in the GDP. It relies on the government spending the collected tax back into circulation.
- Make some adjustments to the tax mix:
  - Implement a General Transaction Tax on All transactions. The rate would probably be 0.1%. This would catch all the financial transactions and inhibit rapid trading.
  - Implement Wealth Tax, Inheritance Tax, Death Tax. Increase Land Tax and Property Tax.
  - Decrease Sales Tax with the intention of eventually eliminating it.
  - Abolish the rules for the tax handling of Depreciation and Inventory.
- Abolish Austerity Economics. We are dealing with nations, not households. Households balance their budgets but government ensures that there is an adequate supply of money tokens and that the money tokens move.
- Make the nation business-friendly. Ensure that businesses can expand.
- Create a public bank. Ensure that credit is available to all levels of society. Use the public bank to pay off the nation’s debt to Germany. Perhaps then the Germans may learn that the money is virtual.

Money can be created in any quantity at no cost. The value is not in the money. A nation is not richer when it prints more money. It is richer when that money flows rapidly.

Greece has far more money than it needs. The problem is that most of this money is sitting idle. It must be made to move by any or many of the ways that I have mentioned.

King Pin found that his tax changes had done something strange. The people were better off and he was collecting more tax. He spent the extra tax straight back into circulation by building a town hall, a library, a sports facility, a recreation center, a swimming pool, new roads, a central marketplace free for traders, and other facilities. King Pin was fascinated with his changes because they defied traditional logic. There was no extra silver in the nation, but people were far better off. His people lived in brick houses with windows and heating rather than mud huts. Everyone got a free education. He realized that money tokens both had to exist and be moving. The moving part had been the trickiest to achieve because of the strange human habit of hoarding the tokens that enabled the transactions that enabled humans to trade that allowed humans to exist. Humans have a habit of destroying that which enables civilized life. This includes married family life, the land, water supplies, the sea, and the money token system. King Pin had to protect all of these with strict rules to prevent the destruction of society. To make money move he taxed the non-use of money rather than the use of money. King Pin cut or eliminated taxes on the use of money such as: Sales Tax, Income Tax, and Business Tax and taxed the non-use of money with a tax on money left idle in bank accounts. By doing so he made money move faster and complete more wealth generating transactions. He realized that the value of money lay in the transactions and not in the holding of money. There was no more silver in the nation, so King Pin made it work harder. King Pin had learned to avoid taxing the transactions that benefit the well-being of society and to tax items that were not labor. He realized that land was a gift from nature that needed to be taxed to ensure that it was well used and not hoarded. If people wanted to use land, they paid a tax on it. This altered nothing but it stopped the speculative acquisition of land. King Pin realized that the value of land lay in the adjacent facilities that had been built by the government and the availability of employment. The value of land lies in its proximity to water, roads, food, employment, schools, hospitals. The value of land did not belong to a previous owner, but to the community that built the facilities. He also had a very small wealth tax of 0.1%, a general Transaction Tax of 0.1%, Inheritance Tax and Death Tax on all but family businesses.

To reduce people's desire to hoard, King Pin created a welfare system to help those who could not earn and to help those in old age. By taking money worries away from people, people hoarded less, money moved faster and he collected more tax. He also created a free health care system. King Pin knew that the nation would not be efficient if he did not keep his people healthy. King Pin collected more tax from a fit and healthy people.

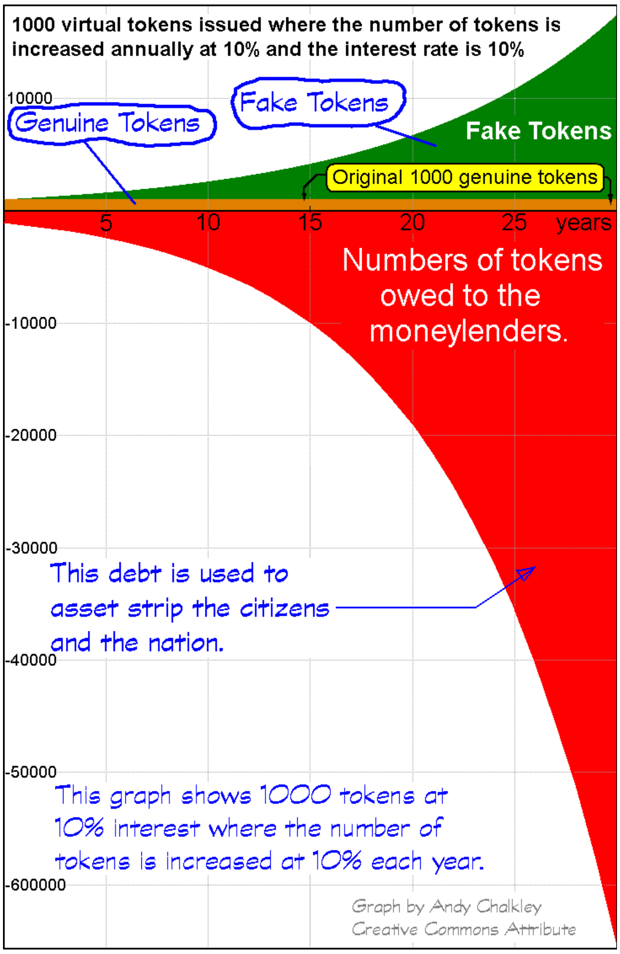
Tax the non-use of money rather than the use of money.

And by the way, if you do escape the euro, you will be given only one choice: a debt based drachma. Your debt will follow this pattern:

You will not be given a choice of **debt-free-money**. You will be given a choice between a **debt-based euro** or a **debt-based drachma**. You will not be offered a **debt-free drachma**. A **debt-free drachma** is a money system where the drachma is created by the treasury and spent into circulation relieving the need for excessive taxation. A government public bank would lend at low interest rate and fund the government and business.

So don't try to fix the debt situation. Just make the money you have move. There is €14900 of money in Greece for each citizen. Why do you need more money? Just make the money you have move.

The End



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