

THE RISE AND FALL OF CIVILISATION: PERSPECTIVES OF MORAL ECONOMY

**HOUSE OF LORDS [COMMITTEE ROOM 2a]
WESTMINSTER, LONDON, SW1A, 20/7/2010**

ORGANISED BY MOEEN YASEEN: GLOBAL VISION 2000

**A SPECIAL REPORT BY SIMON MOUATT: SOUTHAMPTON SOLENT
UNIVERSITY [simon.mouatt@solent.ac.uk]**

INTRODUCTION

The aim of the conference organizers was to present a concise, yet holistic, account of the many crises facing the contemporary capitalist order and to explore the prospects for its sustainable transformation. A special focus of the presenters, for instance, was the exploitative debt-based money system and the de-regulated foreign exchange market, two monetary areas that are seen as particularly responsible for the perpetuation of the ruling elites that preside over our current social order. In addition, the environment, materialism, values, climate change and military expenditure were also identified as key crisis areas requiring deeper analysis, in order that radical transformation (rather than marginal) could be facilitated. In all of these matters the conference consensus was that as humans we are all complicit, to a greater or lesser extent, as contributors to the crises and therefore our interdependence necessitates cooperative solutions for the future. As a consequence, there is the crucial need to rediscover moral political economy, and the imperative that policy proposals are consistent with the great faiths of Islam, Judaism and Christianity *et al* without ignoring the ethical considerations that derive from secular traditions.

CANON PETER CHALLEN

Peter was the Senior Anglican Chaplain of the South London Industrial Mission for 29 years and is a Sloan Fellow of the London Business School. He presently chairs the Christian Council for Monetary Justice, that campaigns for the state issuance of interest-free money (Shakespeare 2002). Peter began his talk with an emphasis on our common earth identity and the need for genuine humility in order to achieve an inclusive justice that “works for everyone and protects the earth”. Peter next identified institutional and professional ‘drag’, as a key hindrance to the achievement of these objectives, whereby deference to peers (and traditions) galvanizes and sustains vested interest and prevents discourse on taboo topic areas. As George Bernard-Shaw had quipped “every profession is a conspiracy against the public”. Peter concluded by appealing to our common humanity, entreating us to cast aside historic ideological labels and convene to fully reverse the ‘deathwish’ of our current trajectory, not as a casual whim but as a matter of extreme urgency for the survival of life on the planet.

DAVID PIDCOCK

David Pidcock is a monetary reformer, broadcaster and political activist. He has published several publications, is a member of the Forum for Stable Currencies, co-founded the National Association for Victims of Fraud and Banking Malpractice, is Director of the Institute for Rational Economics and advised Prime Minister Mahathir during the Asian currency crisis in late 1997. David began his talk by illustrating that the current media obsession with spending reviews and cuts, to deal with the spiraling deficit, is actually a misleading debate. The solution is, in fact, remarkably simple. If all of our national debt was replaced by state-issued currency, spent into circulation by retiring the debt, the problem is solved. David cited the 1914 UK antecedent, where £500 million of notes were issued by the HM Treasury secretary John Bradbury (in collaboration with Lloyd-George), in response to the bank balance-sheet crisis in August of that year. Another alternative, of course, is for the state to issue interest-free credit-money, originally posited by Ricardo, instead of the normal procedure of selling gilts to a private sector, that includes the commercial banks (Ricardo 1824). David (Pidcock) pointed out that in the current financial year, £70 billion will be paid in interest alone to holders of UK government securities. The simple elimination of usury on state borrowings will, therefore, be enough to solve the current deficit crisis. The situation is particularly crass given that the public is expected to go through an 'age of austerity'. David claims instead that this is an 'age-old game' being played by the bankers on an unsuspecting and ill-informed public. As the misery of unsustainable debt is levied on ordinary people, the usurers extract a surplus, and (later) the relentless foreclosure and seizure of assets leads to a concomitant redistribution of wealth. Yet, it is not always possible to rationalize (or justify) these banking processes by claiming that they are just normal procedures in a capitalist financial system, where bankers pursue profit in an acceptable manner. David cites the example of an American Banking Association memo, written in the late nineteenth century, where financiers openly talked about foreclosing farms in the US with the express intention of turning farmers into tenants. In another example, cited in David Blunkett's diary, Gordon Brown is quoted as informing the then cabinet (2004) of the financial crisis that was to occur in 2008. Not all bankers and politicians are corrupt, of course, but some can appear to be.

David then explained the conspiratorial establishment of William of Orange on the throne of England in 1688, as a seminal moment in UK monetary history. This event was accompanied by a £1.2 million loan from a Dutch bank. Shortly afterwards, in 1698, the (then private) Bank of England was formed and was given license to lend to the government for private profit. Since then, of course, the national debt has grown exponentially. In addition, the Bank of England model (albeit originally designed on the Swedish national bank) has been replicated all round the world. Many historic figures since (as David noted) have publicly stated their opposition to this ludicrous system of financing government short-falls (net of taxation), and sometimes adopted measures that challenged it, these include the likes of William Cobbett, Thomas Jefferson, Benjamin Franklin, David Ricardo, Abraham Lincoln and Napoleon Bonaparte. In more recent times, of course, there are many varying groups advocating similar monetary reforms today. In the UK, however, as a member of the European Union, the government is bound by the terms of the Maastricht treaty article 104.1 which expressly forbids the state from issuing its own currency. This presents an obstacle.

LAWRENCE BLOOM

Lawrence Bloom is the current chair of the Green Economy Initiative and a former chair (now a council member) of the World Economic Forum. Lawrence began by pointing out that, despite the plethora of crises directly attributable to the capitalist economic system many facets were beneficial to mankind, and this progress needed to be recognized. This included the associated fractional reserve (debt-based) money system. Yet, he argued, capitalism still requires civilizing. He suggests the need for two strategies, one designed for the long haul (he used the phrase ‘the long bridge’) that reshapes capitalism for the future, and one designed as a short bridge that deals with the aftermath of a crisis. He focused mainly on the longer term in his talk. Lawrence referred to the need to recognize other capitals, such as environmental and social, in addition to the usual financial one. Externality analysis, of course, has long been a feature of some microeconomics practice but is less common in macroeconomic study. Lawrence used a recent example of India where a 7% GDP growth rate needed to take account of 2% rainforest depletion, during the same period, with all of its associated ramifications. Lawrence then praised Sharia (economic) law for its ethical approach to investment, whereby the provider of finance shares risk with the entrepreneur rather than exploiting usury. In addition to the need for modern Muslims to seek policies consistent with their faith, it is also important for those from the Judaic and Christian faiths to rediscover the sin of usury. He then concluded by commenting on our materialistic culture and noted that it is not possible to have (real) prosperity without sustainability or social justice. His final comment appealed for a human unity, suggesting that the potential rewards are immense. Yet, the penalty for the lack of cooperation is likely to be severe. Ultimately, this relies on values.

MUHAMMAD RAFEEQ

Muhammad Rafeeq is a banking consultant (on financial risk), and internet radio broadcaster, with two decades of professional experience in the City of London. Muhammad opened his talk with a comment on floating exchange rates and money creation, which he likened to two frauds that were both backed by a system of central banks, all founded on the original Bank of England paradigm. In terms of money creation, of course, this is created *ex nihilo* (out of nothing) as debt from private commercial banks and, floating exchange rates are subject to liberalized capital flows, short-selling (leveraged currency trades), computerized high-frequency trading and a (heavily guarded) dependence on the US dollar (as reserve currency). This leads, of course, to a banking plutocracy and gives small numbers of people the capacity to periodically ‘crash’ a given currency at whim. A country’s assets can then be purchased ‘on the cheap’. Muhammad suggests instead, in line with David Pidcock, that the state spends money into existence and the further establishment of a fixed exchange rate regime based on a minimum wage (or basic income) at purchasing power parity. Muhammad then pointed out that whilst a decade ago there were not many people interested in the subject of monetary reform nowadays the subject is becoming increasingly popularized and some states are even considering major reforms. Yet, despite the increase of interest the obstacles remain huge. Muhammad gives the example of the recent Turkish coalition government that was considering the introduction of some debt-free monies and, was subsequently threatened with a military coup by a consortium of generals. Power elites in the UK, Muhammad then noted, have (historically) also made it difficult for monetary reform to be promoted. Information regarding the Bank of England, for instance, has been traditionally difficult to obtain. Companies House, Muhammad also noted, has no information to give to interested parties because the central bank was originally established by Royal Charter. A fact that was

classified intelligence until 1996. In addition, MP's were prevented from raising questions in the House of Commons by the Speaker (by Standing Order regulations) on any matter related to the Bank of England, or the National Debt, prior to 1996. Muhammad then subsequently mentioned the crucial need for politicians and bankers (and general humanity) to regain a sense of morality in order to establish propriety in financial policy matters and to reduce the profiteering inherent in the current financial sector. In agreement with other speakers then, Muhammad concluded with this indictment on our human values as the key area for concern.

MICHAEL KING

Michael King then talked about the innovative new financial product the WOCU. Michael King is the Managing Director of the WDX organization which has just completed the development of the WOCU (derived from the phrase 'world currency unit'), a useful currency unit that can be utilized by commercial agents engaged in international (especially commodity) trading. The WOCU is based on a weighted basket of the top twenty currencies (determined by their size of \$GDP) that protects those engaged in trade from the risks and vagaries associated with normal currency fluctuation. At present (since the breakdown of the Bretton woods system in 1971), of course, companies protect themselves from exchange-rate risk though currency derivative trading, albeit at a cost. The use of the WOCU, whilst still incurring a cost, is likely to represent an efficiency saving and, therefore, has real value to the price-conscious firm.

VIJAY MEHTA

Vijay Mehta is the President of the VM Centre for Peace, founding trustee of Fortune Forum, and the Chair of Uniting for Peace (Action for UN Renewal and World Disarmament Campaign). He is also an author and human rights, disarmament and environment campaigner. Vijay began by pointing towards \$1.53 trillion of global annual military expenditure and lamented the link between militarism, poverty and perpetual warfare. He then argued that the key drivers of this state of affairs were the military industrial complex (with its many economic benefits to those involved) and the lack of political will. He also suggested that there was often a high level of political corruption so that some security threats were deliberately fabricated (or exaggerated) in order to justify further state military expenditure. Vijay further pointed out that when empires in previous historical periods have arisen, and then entered decline, the tipping point prior to collapse was often when the costs of maintaining security across the geography of the empire became too expensive. Vijay concluded by appealing to our common humanity and, advocated a change in our values (if necessary) in order that we might seek peace and then pursue it.

REFERENCES

Ricardo, D. (1824). *Plan for the Establishment of a National Bank*. London, John Murray.
Shakespeare, R., & Challen, P (2002). *Seven Steps to Justice*. Chippenham, New European Publications.