Funding Citizen's Income from Money Creation: The message of James Robertson's Future Money

By Conall Boyle

The 'sensible' view of Citizen's Income (CI) is that it would pool income tax allowances and welfare benefits, as far as possible, into a single uniform payment, varying only with age, paid to every citizen, without conditions, funded in the main by income tax. This model has been studied extensively, and can be discussed with policy makers and advisors who understand the mechanisms and procedures involved. But politically this is a complete non-starter: In his latest book *Future Money*, (1) James Robertson comments 'The conventional assumption has been that there is no way of funding a Citizen's Income except by taxing people's other incomes highly, and it might have to be at a rate as high as 70%. For many years that has been seen as ruling out a Citizen's Income. Like many objections to otherwise desirable proposals, the assumption is due to inability or unwillingness to think outside a narrow box." (p135). But over the years I have encountered another radically different view about the funding of Basic/Citizen's Income. There is, it is claimed, a huge pool of money which has been hi-jacked by the banks: they have used their power to create nearly all the money in circulation and have thereby greatly enriched themselves. Most people are under the delusion that it is governments not banks that create new money, but in fact only 3% of all the money (M4) in circulation is official Bank of England notes or coins. The remaining 97% has been created within the banking system and it is the banks that reap the benefit. The 'mavericks' at BIRG (Basic Income Research Group) and Citizen's Income Trust meetings who have pointed this out have always argued that the benefit from creating new money rightfully belongs to the people, and that it could/should be used to provide a Basic Income. In addition, Robertson reminds us that there is also a vast amount of 'economic rent' which flows from the ownership of natural assets like land and airspace. This should be charged for, and, together with the proceeds from the creation of money, would provide more than enough to pay for an adequate Citizen's Income.

This 'free lunch' basis for CI might in the past have been dismissed as either Mad or Bad. It did not help that advocates of money reform who spoke at meetings of BIRG did not always put forward their ideas with much tact either! I say that the idea that BI/CI could be funded from money creation might be seen as madness, because no mainstream, conventional economist could be found who would subscribe to it. This remains the case, even today, after the Banking Crash of 2008.

But an even more telling criticism is that the holders of this alternative view are Bad people. In a vitriolic attack, Derek Wall, who was once the co-leader of the UK Green Party, lays into 'Social Credit' (2). It was Major Douglas who inspired the Social Credit movement in the 1930s, which could be described as an earlier manifestation of Basic Income funded from money creation. In the hands of others, Wall claims, this degenerated into an evil anti-Jewish-banking sentiment. Even today's advocates, he claims, are similarly tainted. It is noticeable that the Green Party does not support money-reform, and the New Economics Foundation are somewhat ambivalent about it as well, perhaps as a reaction to this whiff of 'dangerous madness'.

Is it any wonder then that Basic Income funded by the common-wealth of money creation and resource-charges is seen as too hot to handle, too dangerous to be involved with, the deranged delusions from a lunatic fringe or worse? It comes as a shock therefore to find that James Robertson, the utterly reasonable and tireless campaigner for fresh thinking about society and the environment, is entirely in favour of monetary reform and land- and resource-based taxation. Using the proceeds of these two revenue streams would, he tells us, be more than sufficient to fund Citizen's Income and more besides.

In this, Robertson's latest book, he follows up on earlier inspiring works such as *The Sane Alternative* (1983),*Future Work* (1985), *Future Wealth* (1990). Robertson ran Turning Point conferences (which was where in the early 1980's I first encountered Basic Income). He was a founder of TOES, the 'anti'-G8 economic summit forum, and of course he is a leading light at NEF (New Economics Foundation). Later his output has explored the transformation of tax away from penalising earned incomes towards resource-based taxes, especially land-value taxes. *Sharing Our Common Heritage: Resource Taxes and Green Dividends* (1998) explains how it could be done.

Then, hesitantly at first (as I read it) but later as in this book currently under review, Robertson has experienced an epiphany. It was indeed true that the money-system had been hi-jacked by the banks, and that huge wealth was being diverted to the top 1% thereby; that the control over the issue of new money should be returned to a public authority and used for the public good. Together with Joseph Huber, Robertson became converted to the idea that our money system should be prised away from the clutches of the bankers in *Creating New Money: A Monetary Reform for the Information Age*. This appeared in 2000, long before the 2008 financial crash. Since then Robertson has continued with the monetary reform theme, something which became much more pressing following the banking crash when vast sums were created to rescue the financial system (so-called quantitative easing). So *Future Money* is a synthesis which knits together his earlier ideas, with the all-important reclamation of the money system. The aim, as always with Robertson's books is to show how a credible "sane" alternative could give everyone a better life, while at the same time creating an ecologically sustainable world.

Robertson has a wealth of experience in the ways of government and governing, including spells at the UK Treasury and commercial banks, but his background is in Arts, not economics. 'In retrospect, I am glad not to have had a formal education in economics and money and to have learned about them in practice later within a wider context of ideas.' (p13)

Since Robertson has long been a supporter of the idea of CI, it comes as no surprise when he says that these revenues should be used to fund a 'Citizen's Income payable to all citizens as a right. [..] It will recognise that responsible citizens in a democratic society have a right to share a significant part of the public revenue from the value of common resources. It will enable people to become less dependent for welfare and work on big government, big business, big finance and foreign trade. Because all of those incur environmentally wasteful overhead costs, it will also have a conserving effect.' (p130)

There are a small number of 'heterodox' economists who would agree with Robertson that the proceeds of money creation exist and that they have been captured by the private banking system, but that they could be re-directed for the benefit of the citizenry. Perhaps the most high-profile (although not referred to by Robertson) is Steve Keen. His book *Debunking Economics* (2011, 2nd ed, Zed Books) is about the whole range of failures of the dominant neo-classical economics paradigm, especially its inability to recognise and incorporate money into its models. Few establishment figures will engage with Keen, and even open-minded economists like Paul Krugman still do not agree that money is 'endogenous' . However, compelling evidence that the banking system benefits from a huge public subsidy can be found in a recent Bank of England paper where the 'free lunch' for the banking system is estimated to be of the order of £120 bn. p.a., enough to fund a £40 per week Citizen's Income for every man, woman and child in the U.K.

I would encourage readers of the *Citizen's Income Newsletter* to study this book closely. There is much more detail about the environmental and humanitarian reasons for reforming the way currency is produced and how resources should be taxed. You will have to decide for yourself if you think the Government reclaiming control over the benefit from money creation of money is a realistic method of funding CI, or is crazy dangerous nonsense. The safe alternative is to continue studying the present job-system and see how an added-on CI funded by punitive rates of income tax might work, however futile and politically infeasible that might be.

Notes

1 *Future Money: Breakdown or Breakthrough,* Green Books, Totnes, Devon, 2012

2 Derek Wall (2003), 'Social Credit: The Ecosocialism of Fools' in *Capitalism Nature Socialism*, September 2003

3 see Paul Krugman's blog article deriding 'endogenous money': 2 Apr 2012http://krugman.blogs.nytimes.com/2012/04/02/oh-my-steve-keen-edition/

4 Noss, Joseph & Sowerbutts, Rhianon (May 2012) *The Implicit Subsidy of Banks: Financial Stability Paper No 15*, Bank of England.