

## PART 2

### Back to Basics - Title

Before we can create a better system, we have to believe that another system is *even possible*. To do that, we need to look at what money does for us - what purpose it plays in our lives - what it does well, and what it doesn't. This can be done by asking some fundamental questions about the role and purpose of money.

Exchange    Stability    5 Questions should be about right

First... What is the one essential purpose of money for which there is no substitute?

Question 1    What is the one ESSENTIAL Purpose of Money?

BUYING what we need & want

Buying the things we need and want, right?

BARTER    Demand & Supply must meet directly    need    got

Direct barter is so cumbersome and inconvenient and money so versatile and convenient, that money, in some form, must be considered a *necessity* for any kind of complex economy.

MONEY    Demand & Supply meet indirectly through many transactions

BUT... except on rare occasions, most of us don't need money to buy gold or silver or real estate, the usual things money systems have been based on.

We need money to buy food...    We need money to buy energy

We need money to pay for a huge variety of things    (bills in language)

This leads to question 2.

Question 2    Why can't money be backed by ALL commodities?

Why can't money be backed by *all commodities*, instead of a single, specific one?

If money can be a promise of GOLD...money can be a promise of ANYTHING of value

Wouldn't that completely change the nature of money... and liberate it from the model where money's value derives from its scarcity? Question 3.

Question 3    Why can't money be created by the NEED for money?

Money created in proportion to DEMAND for goods & services

Why can't the supply of money be created directly by the day-to-day NEED for money?

If that were the case, the demand for goods and services would CREATE the supply of money needed to purchase those goods and services. Question 4.

Question 4    Why can't money be backed by FUTURE production?

You have to *spend* money to *make* money. Now that's a familiar saying that points to the other essential purpose of money, which is to fund *future production*. Question 4 then follows. Why should money be a claim on *existing things* at all? Why can't it be a claim on *things yet to be produced*?

## Question 5 Can money be inherently stable & fair?

And finally... Question 5. Can we set the bar higher and make money inherently stable and intrinsically moral?

### GREED INJUSTICE

Is it possible to create a money system that balances and corrects itself automatically and distributes wealth more fairly?

### Money as a Single Uniform Commodity

The answer to all these questions is to eliminate money as a single uniform commodity. Instead, money should be a promise of, or a voucher for, a specific amount of *any actual thing in demand*, whether it exists already, or will be produced in the near future.

### Money as a Voucher for Specific Goods & Services

#### Intermediate Commodity value determined by scarcity

Money would then cease to be a thing in itself, and instead would simply be a unit of measurement for the value of real things... like minutes are for time, meters for length and tons for weight.

#### Unit of Measurement for real things scarcity of money units not possible

This idea of vouchers for real things goes all the way back to the invention of writing and numbers, and probably preceded the widespread use of coins.

#### Babylonian Promise of Grain circa 2000 BC

But until now it was only practical for limited and local use.

#### Only useful within feasible transport distance of the commodity promised

Our advanced technology, at long last, makes this concept practical for global trade.

#### Both credits and products now have GLOBAL reach

#### Barter is Back! JOIN a BARTER NETWORK

And there IS a growing use of trade vouchers for real products already happening in business-to-business barter networks around the world.

#### A Money System NEEDS 1. a UNIT for measuring "value" 2. Security of transfer & accounting 3. ENFORCEMENT of contracts

Once values can be reconciled by a common unit, and transactions carried out using modern technology, there's no longer any need for money as a single uniform commodity.

#### ACCOUNTING who owes what to whom in MONEY

Most money is already just accounting... not a physical thing.

#### Money serves now as a value unit for measuring CREDIT

Credits used as money could, and probably would, still *include* vouchers for gold, silver and taxes.

#### The significant change would be what the credit is for

But they would *also* include vouchers for food, clothing, shelter, services...  
in fact, ANYTHING *in reliable demand*.

Anything in Reliable Demand

### Money as Vouchers for Goods & Services -Title

Money has no value if there's nothing to buy with it.

But I have so much money!

This should be obvious. Therefore, the logical *source of money* should be *the value of the real things* we're going to buy with it.

What do you REALLY want?      Real Stuff right?

That value is ultimately determined by what the customers are willing to exchange for it.

At what price are you willing to trade?      prices must match demand

Therefore, *value is created by demand* and money should be also.

The bank doesn't lend money

In the bank credit system, money is not actually lent. It's created by the borrower as credit towards demand for the borrower's future production, just as this movie is proposing.

The borrower's signature creates the credit to be "repaid" from future earnings

Principal + Interest      Time Limit

But the system *pretends* it's a *loan of money*. And repayment *must be* in money. The borrower is required to earn BOTH the *principal plus the interest*, IN MONEY, *within a limited time*.

Spend it to Produce      Accept it back in exchange for Production

The alternative is to create money directly and simply *spend it into existence* in the process of production. Like bank credit, this is credit towards the demand for future production to be honored *within a limited time*. BUT... the credits spent in *this* system are obligations to be fulfilled with *products or services ONLY*. *There is NO debt of money*.

Production   spend   third party circulation as money   redeem

Full recycling is naturally enforced by the system itself. The money created to produce something must equal the money needed to *buy it* when it's ready for sale.

?      LOANS

If this seems novel and strange, that's because the words used in banking have *conditioned us* to believe that banks lend money.

LOAN Agreement I promise to pay the bank X amount + interest over time

In truth, *we self-issue credit NOW...* by signing the loan document and *pledging our future productivity* to repay the so-called loan.

## I. Amindetted

Our promise of repayment *in money* is what *creates the money*. And most of us will have to *earn* the money we repay by producing real goods and services of value to our fellow humans, just as if we had issued our credit directly.

### PRODUCTION

#### BASEL ACCORDS

“capital adequacy” requires Banks to own reliable assets that can be sold to cover 4-8% of potential losses

Bank for International Settlements    Basel Switzerland

In our current system, the bank *doesn't actually have* the money it creates for us. The banks does however, *validate* our self-issued credit by undertaking to *lose the amount created* if the loan is not repaid.

APPROVED    IOU    CASINO    liabilities    assets

As long as you “pay us back” we're OK!

This is called an *unfunded liability*, a fancy term for *gambling money you don't have*.

WARNING! INCOME proportional to RISK    Your Future

Thus, our *personal credit* becomes both the banks' *source of income* as interest, and also a *potential loss* to the bank. As the bank increases its income, it also increases its potential losses, which it *knows* it cannot cover.

“capital adequacy” required: Federal Gov'ts 0%    Real Estate 4%    All Other 8%

As banks are only required to own assets that cover 4-8% of their potential losses, losses more than that will put the bank out of business and require deposit insurance to bail out the failed bank's depositors.

Time to call in backup    INSURANCE    How much do you need?    That much!!!?

Like the banks themselves, the deposit insurance can only cover a small proportion of its potential losses, so the burden of saving the system eventually falls on the general taxpayer. The only one who can be *compelled by law* to take on the banks' gambling losses. The *public* as a whole must go into debt to create the new money needed to make up for the *private* liabilities that were *unfunded in the first place!*

FAT BONUSES    There is no Money    only DEBT    OOPS

We can go on endlessly about the numbers and who did what, *completely missing the point*. The problem arises because we are enmeshed in *imaginary numbers* generated by an inhuman, unnatural and ill-designed system, which has become completely divorced from reality.

source of money BANKS

All payments to the bank must be made in the form of *bank credit or fiat cash*, *unforgiving numbers*.

## #1 Difference Producer Credit is a contract for delivery of GOODS & SERVICES ONLY

So, the *first* difference to note between our proposed concept of producer-issued credit money and bank credit is that, where bank credit is payable *only in money*, self-issued credit is payable *ONLY in goods and services*.

In the first case, if the bank credit borrower fails to pay the bank principal plus interest *in money*, the bank takes whatever was pledged as collateral.

### FOR SALE

Neither the bank nor the borrower has any means to ensure there is *enough money in existence* for everyone to pay back their bank credit.

### Collateral Value largely determined by speculators

The collateral may plummet in value, and be insufficient to cover the bank's liabilities, causing a book loss and threatening the security of *all* the bank's depositors.

### sale of collateral leaves shortage                      SOLD

When severe and widespread, this structural problem can bring the entire economy to a screeching halt in mass bankruptcy.

### This money "lost" is the same money the bank "created"

By contrast, with self-issued credit, it's *impossible* for the promiser to go bankrupt.

### Bankruptcy Impossible!

Why? For the very simple reason that there's *no debt of money to a bank*. The debt that creates the money is payable in goods and services ONLY.

### Promise of Delivery payable in GOODS & SERVICES ONLY

Therefore, a promise of product or service requires the ultimate creditor to *purchase from or hire* the one making the promise.

### creditor    the customer purchases from or hires                      debtor producer

Now, it would always be possible to be unpopular, unproductive and unemployed.

### Blunderers Inc.    SALES    spending power    credit    demand

That would render an Issuer unable to issue credit any more. No one would accept it.

### closed NOT foreclosed                      Out of Business

So, one could indeed *go out of business*.

### liquidation    Failure to Deliver Goods, Services Promised

But, with self-issued credit, going bankrupt and losing assets pledged as collateral could only happen if the Issuer breached its credit contracts by failing to deliver the *products or services promised*, the supply of these the credit Issuer *should have control over*.

### poor sales                      EXCESS inventory                      failure of production

Poor business usually results in *excess product*, not a shortage. Therefore, a failure to deliver on promised production would have to be the result of some *exceptional*

circumstances. It would *not* be the normal situation.

too much inventory sitting around

## A Self-Correcting System - Title

### #2 Difference

There's a second difference between our proposed concept of producer-issued credit money and bank credit.

### Commodity Principle applied to EACH Issuer's Promises

The principle of money as a *single uniform commodity* could be applied to *individual producers*, rather than to the money supply as a *whole*.

NOT the WHOLE money supply      Free Exchange

This could be accomplished through an automated market.

scarcity increases value      concentrates wealth      impossible arithmetic

Why would this be a good idea? Didn't we just show the negative effects of money as a single uniform commodity?

Principle      value X quantity = demand

The answer is... when the scarce commodity principle is applied to individual credit issuers in a *free* credit market, the system becomes *automatically self-correcting*.

self-correcting

The scarce commodity principle would force each individual credit issuer, from individuals to corporations to governments, to be responsible for spending *exactly what they take in*, a balanced budget, full recycling of the money.

spending = income      Value Unit 1.00      EARN      SPEND

Their success at balancing their budget would determine the relative value of their credit in a free market where credits are exchanged. *Perfect parity* with the universal value unit could *only* be achieved by *perfect* balance-of-trade.

Free market      buyers = Sellers      1.00      AUTOMATED Calculation

Offers to Buy      Offers to Sell      Buyer      bid      ask      Seller      price

How? By means of a public digital exchange based on some *elementary school arithmetic*. Take the total volume of offers to buy any credit issue and divide by the total volume of offers to sell. This is not a bargaining session between people to arrive at a price. The price is determined by the demand/supply ratio *automatically*.

BUY Volume      SELL Volume      Money is created as Demand for Production

This producer-issued credit creates money as demand for actual production. And it automatically and relentlessly *revalues* the issued credit money in real time. This means that the *total purchasing power created by the Issuer* always equals *the real current demand* for that Issuer's purchasing power.



### Credit Demand # 3 Difference

Like a claim on gold there's a specific value in real goods promised and a specific promiser to collect it from.

Credit is Redeemable Not single & NOT uniform

However, this form of money is NOT a single uniform commodity like gold.

pay to the Bearer X amount of PRODUCT from Producer A Producer A prices

It is, instead, the promise of delivery of an *unlimited quantity and variety* of commodities *actually in demand*. The value of any given credit is simply what the Issuer will give, in real goods and services, to get its voucher back.

Logically, the most reliable credit money would be issued by those whose products are *necessities*. Producers of energy, food, minerals, raw materials of all kinds, manufactured goods and construction would *all* be logical choices to issue credit.

CREDIT for PRODUCTS suppliers employees other spending shareholders household spending advertising rentals security maintenance charitable equity investment raw materials

As well as these foundational Issuers, in any given economy there would be third parties using the Issuers' credit as money. The more Issuers in a community, and the healthier their credit, the more abundant the local money supply and the more prosperous the people of that community would be.

redemption Value is defined by the Issuer's prices

That money, being promises of specific products at set prices, would *not* be subject to revaluation due to the *total* amount of all credit in circulation. It would be directly affected *only* by its own internal balance-of-trade.

Trade Value is defined by the Issuer's balance-of-trade

The productivity of the people and the demand for their production would directly create the spending power available to them without interference from afar.

Credit is the result of Demand & Trust

There would never have to be an artificial shortage of money in a local town caused by the financial shenanigans of greedy people in distant cities or countries.

Bank Sale It's Happening Again!! International Debt Bomb EXPLODES

The power of money would be *localized* and made *self-responsible*.

Product Credits come from WITHIN the community

In sufficiently productive economies, with many successful Issuers, there would be *more than enough* money available to service third party transactions.

IN GOLD COIN Like promises of gold or silver for PRODUCTS from ABZ

Product Credits are backed by real value

In fact, the prices of goods and services in this third party economy could *rise* due to a local abundance of spending power.

[Local Prices](#)      [Menu of World Prices](#)

As all prices would be in the same unit, local price rises due to abundant money in the third party economy would be restrained at some point by easy comparison with prices elsewhere.

[TOTAL CREDITS](#)   [ABZ Industries](#)   [Credit from ABZ](#)   [for PRODUCTS from ABZ](#)

Whether credits as a whole were scarce or abundant in any given community, any given credit would still only be redeemable for exactly what was promised by its Issuer... specific goods and services at advertised prices.

### **Savings -Title**

In this system, savings are simply savings, not loans to a bank.

[Deep enough](#)

Like gold coins in a buried chest, saved credits would be out of circulation entirely.

[VALUE](#)      [TIME](#)      [BOND](#)

But... *unlike gold coins*, these credits would also act like *bonds*. They would provide a yield, interest.

[Credit from ABZ accepted by employees & suppliers](#)

Why? Because when someone accepts the Issuer's credit as money, in exchange for their goods and services, they have extended credit to the Issuer. They've traded *present* value for *future* value.

[Goods & Services now](#)   [for Goods & Services later](#)   [BUY](#)   [Trade for](#)

The credit then gets passed around as money amongst those who will accept it. Then, when the credit matures, which should be within a year, the final customer collects the interest in the form of a pre-defined return in extra product.

[Lent in Goods & Services](#)   [Paid back in Goods & Services](#)

In practice, this would take the form of a lower price.

[Credit from anyone else](#)   [full price](#)      [Credit from ABZ](#)      [lower price](#)

Anyone not purchasing with the Issuer's own credit money would pay the full price.

Buyers of large items and *everyone* at the wholesale level would *always* take the trouble to trade for the specific credits they needed in order to reap all the benefits available.

[BUY: ABZ](#)      [unredeemed credit uncertainty](#)

If *unredeemed*, these credits must *expire* shortly after maturity, because credits are promises and promises should not be held over the head of the Issuer forever. It's spend 'em or lose 'em .

[Time](#)   [Spend 'em or lose 'em](#)



So how can these expiring credits be saved? Quite simply really...

Maturing credits must be *traded in for new ones*.

Product Credits   mature credit   new credit   savers   spenders

This would create an active exchange market as credits would have to continually flow from those who were saving them to those who wanted to redeem them for the Issuer's goods or services.

Issued Today      one full year to maturity      14 months to expiry

They would have to be replaced, in exchange, by the newest possible credits that could be saved. This constant trading would accurately determine the real moment-to-moment value of individual credit issues.

SELL   VALUE   BUY   1.0

In addition, this trading would yield truthful and timely insights into the likely realities of future demand.

### **Yes is the Answer - Title**

To sum up... Yes, there is a simple way to create an exchange system that inherently balances and corrects itself.

Yes!

yes... this system favours a broad and more equitable distribution of purchasing power as business success very clearly depends upon spending money so that potential customers can acquire it.

Issuer      Promise      employees & suppliers      general circulation      Customer

And yes... purchasing power *can* represent ALL commodities not just one.

Promise of ANYTHING in demand

Purchasing power is a promise to deliver *anything specific* that's in demand.  
like electricity, steel or carrots.

Not a single uniform commodity

This purchasing power is not money. It's measured in money, money being a unit of value like minutes, meters and tons.

value x quantity = demand

Purchasing power is created and *constantly revalued by proven demand* for future production.

### **Investment - Title**

Where does the money come from for investment?

Where does the money come from for investment?

All money in this system is an *investment by its very nature*.

ALL PRODUCT CREDIT is an INVESTMENT!    payments to employees & suppliers

The acceptance of an Issuer's credit in exchange for goods or services *now*, is an *investment* in goods or services to be delivered in the *future*.

spent at grocery store

Conceivably, there could be two types of product credit money.

1 year            as long as necessary

One type would be short term, to be used in general circulation as money. This would fund *current* production. The second type of product credit could be longer term and higher risk, traded separately to fund *long term* development.

Product Development

Such *long term* credit would be redeemable in product, normal credit or equity shares.

long-term credit redeemable for 1. product 2. short term credit 3. equity shares

Shares in equity would continue to be the foundation of investment, and dividends to shareholders would be one of the costs of production.

4. dividends

Dividend money would also need to be spent or exchanged before *it* expired, so that the *flow* of purchasing power to the Issuer's customers would be maintained.

Issuer      Shareholder      Circulation      Customer

## Profits- Title

So how does one earn a profit?

How does one earn a profit?

The same way one earns a profit now... by *selling production for more than it costs to produce it*.

+Income -Expenses = PROFIT VALUE = buy/sell      Buy/Sell = 1.0      Value = 1.0

However, in this proposed new system, the Issuer of credit must maintain a perfect balance-of-trade for their credit to remain at par. Therefore, taking in more than was spent would just cause a *shortage* of their credit in the market.

shortage of Issuer credit      Value > 1.0

The shortage causes the value of that credit to rise, relative to the prices, which are expressed in the *universal value unit*.

All Prices in Universal Value Unit      Over-par credit buys MORE

This sounds good but it isn't.

example Issuer's Credit = 1.01

The Issuer's credit is worth *more than par* when spent, seemingly of benefit to the Issuer.

Over-par credit buys MORE REAL STUFF from others

However, if an Issuer's credit is *over par* when redeemed for goods or services, it will

cost the Issuer *even more* in real goods and services to get it back.

Over-par credit COSTS even MORE to redeem with REAL STUFF (+ interest)  
a NET LOSS for the Issuer

Why? Because everything is always priced in the universal unit.

example: Price = 1.0 Universal Value Unit

example: OVER PAR Issuer's Credit = 1.01 Customers spend 0.99

With *over-par* credit, the Issuer's customers will spend *less of that credit* to buy the Issuer's products than they would have *at par*.

0.01 excess credit left in circulation

This leaves more of the Issuer's credit in circulation, compensating for the shortage automatically.

vale x quantity = demand PROFIT customers interest + over par

The result is that if the system has to *self-correct*, the Issuer does not get the potential profit. Instead it goes to *the Issuer's customers* as an additional bonus.

SPEND = EARN Value = 1.0

To make a profit, the Issuer *must spend new credit as required to keep its credit at par*.

Therefore we can say that, in this system, Issuer profits could *only* be realized by *spending them immediately*. *Perfect flow*.

PROFITS could only be realized by SPENDING New Credit Perfect Flow

Issuer profits can't be piled up as money in the bank, seeking further gain.

money profit does NOT 'beget' money profit profits rush to be spent!

Profits must flow quickly back into the general economy where customers can earn that purchasing power again.

employee bonus charitable donations social purpose workforce

An employee bonus of immediately redeemable credit would be a fair, popular and effective method of quickly sharing profits to avoid overvaluation. Charitable donations would be too. Or... hiring people to do socially useful non-commercial work such as *environmental cleanup*.

### Technological Displacement - Title

People are *always* losing their jobs to machines. What can be done about *that*?

sorry... you have become redundant Spend to Produce = Spend to Purchase

This proposed system is based on 100% recycling of purchasing power.

Interest Principal Time's up! Principal Payment extinguished

Gone is the overhanging *debt at interest* to banks.

Gone are the loan payment schedules.

Whoever holds the issuer's credit is the Issuer's creditor

Gone is any possibility of *bankruptcy* because there's no bank to... *rupt*.

Spend to Produce = Spend to Purchase

If the Issuer wishes to *sell* x units the Issuer *must spend enough credit into circulation* for the customer to *buy* x units.

Those were BORING jobs anyways... Machines get it right EVERY time...

Machines will produce MORE in less time... Productivity is always GOOD!

But who will buy that production?

If a machine replaces a person, it's very clear the Issuers must still supply their customers with the purchasing power to buy their production. This is something Henry Ford realized long ago. He paid his workers *three times* the going wage.

FORD MOTOR COMPANY

This enabled them to buy the cars they were building and thus *expand* the industry.

Essential Principle

But this essential principle of a successful economy has been forgotten in recent times. Cost-cutting for shareholder profit has *savaged* the purchasing power of wage-earning consumers.

news items in language      Unfunded Liabilities

Consumer Business Government Financial

This has *suppressed* demand, bringing on *even deeper* cost-cutting, off shoring of jobs to cheap labour nations, expanding debts at all levels, defaults, bailouts and all the distress we are witnessing.

If we're not making this stuff for the humans than WHY are we making it?

In contrast, this proposed system would require require distribution of the full purchasing power to the customers even if NO human employees were required.

## Mortgages - Title

How would mortgages work?

How would mortgages work?      Eviction Notice      Very differently!

Very differently.... builders would issue their *own credit*. They would *not* borrow money from a bank.

Time      PROFIT      LOSS      Promise

Therefore, there would be no payment schedule to a bank, and no interest clock to beat in order for the builder to make a profit. Timely delivery of desirable product would be the *only* commitment the builder would have to meet.

Partnership Agreement

Buyers wouldn't borrow from a bank either. Instead... buyers would enter into a partnership agreement with the builder and buy out the builder's share over time. As long

as the payments were kept up, the builder would be a *silent partner*.

[It's up to us... not a bank](#)      [Wynn-Wynn Credit Brokers & Partnership Exchange](#)

Subsequent buyers would do likewise. Everyone would be free to negotiate their own pay-as we-go arrangements free of any conditions imposed by a bank. Bank-like services could still exist to facilitate these processes, but the pretense of “lending money” would end.

[EQUITY](#)      [Forfeit Collateral](#)

In this mortgage partnership system, no one would lose their equity in any partnership until what they paid in is paid back out to them. Forfeiting collateral would be a thing of the past.

[Money Supply](#)      [BOOM](#)      [BUST](#)

In addition, payments in this system would have what economists call a *counter-cyclical effect*. Here's how it would work. In a growth cycle, with a *boom* in housing, the Issuer could gradually *increase* its credit issue to pay more people to build more houses because it would have a gradually increasing revenue stream from *new sales*.

[Builder's Digest](#)      [HOUSING MARKET FALLING](#)      [Parity](#)

On a *downturn*, the builder must *reduce production* to meet *reduced* demand. This means a reduction in *new credit issue*. But incoming *long term* payments remain the same, creating an imbalance that will eventually *overvalue* the Issuer-builder's credit.

[Spending](#)      [Income](#)      [City Gardening Kits](#)      [DONATIONS](#)

Therefore, the Issuer-builder must still *spend* as much as it takes in to maintain its credit at par. To accomplish this the Issuer could... *pay* laid off workers ... reduce buyer payments if requested... invest in a new job-creating industry... give to charities... or spend it all foolishly.

[MUST BE EQUAL](#)      [to maintain PARITY](#)      [INCOME](#)      [SPENDING](#)

[GRADUAL CHANGE](#)      [due to long term payments](#)

The point is that, by whatever means, the same amount of credit must be spent as is coming in. This amount would only very slowly taper off as some of the payments finished. This would make long term debts like mortgages natural bridges over economic downturns.

[LONG-TERM DEBT](#)      [Payment Due](#)

This would be the opposite to what happens in the current system. In the current bank credit system, the principal is *removed* from circulation once it's paid to the bank.

[Conventional PRINCIPAL is EXTINGUISHED](#)      [when repaid](#)

This money requires a *new loan* to replace it.

[CHARTERED BANK](#)      [LOANS](#)      [PAYMENTS](#)      [Calendar](#)      [LOAN](#)

If no one's willing to take this loan, the money supply *is reduced*.

MONEY SUPPLY banks borrowers lenders of existing money IOU \$1  
debt-money extinguished NOT REPLACED DEBTS OUTSTANDING

If *every dollar* has been lent *multiple times*, as in our current situation, the lack of *one* dollar in new loans results in an *unavoidable shortage of principal* with which to pay off *multiple* loans.

payments = spending

In contrast, the self-issued credit must be *immediately* returned to circulation *interest free*, as spending.

NEWS DEMAND for HOUSING IN DECLINE

Cycles happen in Nature all the time Foreclosure SALE

REAL value was destroyed FOR WHAT ?!!

A decline in the real estate market would still mean fewer jobs building houses... but the possibility of widespread foreclosures and homeless people camping outside of their vandalized homes would be gone.

Benefits Flexible arrangements that are just between us EQUITY

To the house buyer and citizen the proposed new system offers the following benefits.

No one is doomed by the calendar and by the dictates of a bank formula.

No one ever loses their equity in any property they've paid for.

DEBT LONG-TERM DEBT

And no one needs to fear that widespread defaults will result in a *deflationary death spiral* or *ridiculous bailouts*. Because in this new self-issued credit system, long-term mortgage payments will provide a *natural bridge* over economic downturns.

### Where do Banks Fit In -Title

Where do banks fit in? Or do they? The answer depends on *how* the system would be implemented.

Implementation 1. Accounting System 2. Digital Object System

Technology now allows us to bank online. It's only one step further technologically to make the safekeeping, accounting and money transfer functions of banking *obsolete*.

BANK private peer-to-peer NO 3rd party

Money could be securely stored and transferred online from peer to peer, directly and anonymously *without any third party involvement* like banks, or PayPal.

Global Accounting Services Not one OR the other

Alternately, banks could function as fee-charging service providers and record-keepers for the same concept applied as an accounting system.

Same Unit, Same Source contracts exchanged  
directly peer-to-peer and/or by banks for clients



And... one method does not have to exclude the other. Both could exist side-by-side.

[anonymous digital coins](#) [accounting system money](#)

Banks could also continue to function as *lenders*. But how could banks be lenders if they could no longer create money and if no one would even need to *deposit* money? What would banks lend? And why would anyone *need* loans if they can issue their *own* credit themselves?

[I thought we didn't like them](#) [Hopefully... NOT bank credit!!](#)

[Isn't this about SELF\\_ISSUED credit?](#)

Well, for this simple reason. In the self-issued credit system, *the vast majority of people and small businesses would NOT be Issuers. Why not?*

[Issuers](#) [Non Issuers](#)

[Who would trust a complete stranger to honour their promises?](#)

Because *personal credit would never be widely acceptable*, and most individuals and small businesses would *not* want the responsibility of being an Issuer.

[Who would want to make themselves legally responsible for delivery?](#)

Issuers must ultimately *back* their credit with *their assets*. Should they breach their contract by failing to deliver the goods or services promised, they could be *forced* into liquidation to satisfy their creditors.

[LIQUIDATION](#) [Delivery must equal Demand](#) [Corporate Assets at Risk](#)

In a large corporation, the equity investors would likely put up *more* funding to ensure production, as this would be the *only* way to save their investment.

[Individuals would have to put Personal Assets at Risk](#) [FOR SALE](#)

But for individuals *without* such resources it could mean selling their *homes* because they fell ill or misjudged costs or any number of other reasons... not a position most people would want to be in.

[Why take the risk if there is enough third-party money in circulation?](#)

[savings](#) [debt](#) + -

So, while one main goal of this system is to develop a society that would operate from *savings* rather than *debt*, there would still be a demand for consumer loans and business loans among non-Issuers.

[I have to get a loan to pay for this](#) [So do I](#) [Renaldo's Renos](#)

[Anyone, including banks, could lend Issuer credits](#) [click](#) [Dad?](#) [4 SALE](#)

Loans of existing credit in circulation could continue to be made on the personal or institutional level. But *new credit could only be created by Issuers* as promises of real products and services.

[Full Circle LOAN Co.](#) [A promise of real goods/ services from a specific supplier](#)

Issuers could lend *directly* to trusted borrowers, such as employees.

loan payment employees banks product credit

Issuers could also supply *their* credit for banks to lend at interest. These loans of *product credit* would be repaid with *product credit*. This product credit would *not* be redeemed for the Issuer's goods and services, but its value would be the same as the credit that was redeemed.

spend redeem %

This credit would come with an interest charge just as loans do today.

But unlike conventional interest, flow would *always* be complete. Because *both* the bank and the Issuer would be *compelled* to spend *ALL* of this interest profit immediately in order to maintain the value of their credit *at par*.

Value = Buy/Sell if Buy = Sell Value = 1.0

Issuer loan payment spend redeem add

NOT redeemed for product

If borrowers defaulted on their payments, this would leave *more* credit in circulation than was needed to buy the Issuer's output. Therefore, the Issuer's product credit would be devalued proportionately.

Value = Demand/Supply DEVALUATION affects Issuer

all who hold the issuer's credit

This would cause the loan losses to fall directly directly upon the Issuer and also on all the holders of the Issuer's now devalued credit.

0.904

With the viability of their core industry at stake, Issuers would surely cut off the banks' supply of product credit at the first sign of lax lending standards.

Remember how I always lent YOU money? I most certainly do!

PICKUP BAY PICKUP

In this way banks would be dependent for money on *the producers of real wealth*, *not* the other way around. And the money banks would lend would be "real", which is to say, redeemable for specific goods and services from specific providers.

SAVERS want reliable NEW Issuer credit Broker

SPENDERS want specific MATURE Issuer credit

As for bankers, their essential and beneficial role in this new system would be in moving credit from those who have it to those who want it.

Issue Peak Value Expiry Issued Expired

Because credits in this system, like bonds, would *mature at maximum value*, there would be an *optimum time* to redeem them for goods and services. In other words, a period of *maximum yield*, like fruit at the peak of ripeness. And, like fruit and other perishable goods, credits in this system also *expire*.

## Also Expires      A. Promisor

Fruit must be eaten or it spoils. Product vouchers must be redeemed for product or become worthless. So, to use this expiry-date money as *savings* would require constant renewal. Ripe credit would have to be repeatedly exchanged for unripe credit.

The longest lasting credit would be the newest and so there would be a constant demand from savers for reliable Issuer credit that would *keep its redemption value*.

### The most desirable Issuer Credit      stable prices      consistent parity

The *most* desirable credit would be from an Issuer who *maintained stable prices* as well as consistent *parity of credit*.

### the Reliable Credit Brokerage      Applying research & judgment

*Anyone* could do this credit trading from their own computer in a matter of minutes.

However, there *would be* a market for *professional* researchers and brokers who could deliver *reliable* credit to their individual and corporate clients. And this is where the financial types could do *well* by doing *good*.

### The Credit Broker's OATHS

Brokers would be performing *three extremely valuable* services to society.

#### 1. Safeguard Values    2. Maximize Benefits    3. Maximize Efficiency

One... they would *safeguard* the value of peoples' savings.

Two... they would help *everyone* get the *maximum redemption value* for the credit they've extended, and Three... they would make sure that the Issuers got *all* their credit back.

### Accurate evaluation of Issuer reliability would be a vital service to society

For the system to work for everyone, broker evaluations must be *honest*. But this would tend to happen naturally, because brokers who sold bad credit would lose their clients.

### Credit Brokerage should be a competitive business

However, it would also be important to insist and establish by law, two restrictions.

### Brokers must be paid by the Receivers of the Credit    NOT Sellers or Issuers

One... that brokers always be paid by the *receivers of credit*, not the sellers,

### THE SAME Mix of Credits acquired for Client

And two... the broker's fees should always be paid in the *same mix of credit* acquired for the broker's clients.

### SAVERS want any reliable NEW Credit    Broker

### SPENDERS want specific MATURE Credit    Honest Credit Ratings

With these restrictions in place, when brokers move credit from those who have it to those who want it, they would, of necessity, provide *honest credit ratings* to their clients.

There would be no advantage in being *dishonest*.

### because... Brokers get paid in exactly the same Credits as their Clients

## Insurance, Pensions and the Like - Title

We DO

Suppose you saved up 100 million dollars. Feel pretty secure?

CLOSED    OUT OF BUSINESS    CROP FAILURES WORLDWIDE

But what if there was almost *nothing* to buy with it? Now... what would it be worth?

DEBT PARTY!    Monetary Base    Billion    100 million?

I create 100 million new dollars in the time it takes to eat lunch

What if everyone else had just borrowed 100 million *new* dollars into existence?

And the money supply had become swollen beyond recognition. Like now!

US govt debt chart

volume up x value down = demand

THERE IS NO MONEY ONLY DEBT!

It's also important to remember that in a debt money system, all money saved such as insurance or pension funds is still *someone's debt*.

CHARTERED BANK    Money "Stock"    created    extinguished    EARN    CIRCULATION

The *original borrower* needs to be able to *earn* this money in order to pay off the original debt.

Money "Value" expected to increase forever    equity

CREATE    borrow - spend - earn - repay    EXTINGUISH

So if you invest your savings with an expectation of gain, while the original borrower of the money needs to earn it and extinguish it, there's only *one* way this can be resolved to everyone's satisfaction.

Calendar    LOAN    Time to extinguish    invest    equity    employ

PAID    extinguish the debt/money

Both the bank and the borrower can be satisfied IF the money invested for gain is ultimately used to *employ the borrower* who's then able to pay it back to the bank and retire the debt.

Money "Value" expected to increase forever

As well, you the investor, can be satisfied if the borrower's labour produces an *increase* in the money value of your investment.

Real Economy    Death    Birth    Growth    Decline

But the real money value in equity can *only* be created by *real economic growth*. And *this can't happen* in a sustainable economy where *stability* is the goal. In a sustainable economy, as in Nature, new growth simply replaces that which dies off.

Replacement Growth    Real Economy    Dividends & Premiums

Thus, over the system as a whole, the *net value* of total investments could never increase because of equity growth. Pension funds and insurance would have to rely on dividends and current premiums.

But even more fundamentally, we need to understand that *we can't eat money*. The simple truth is that, in almost every case, *current needs must be met from current production*. Our future cannot be ensured with saved up money.

MANURE Save Our Heritage Seeds NONO to GMO =  
Extinction is FOREVER Dr. Death's FINAL CURE for Everything

We can really only ensure that supplies of real goods and services will still be there for us in the future, by protecting our environment, by preserving topsoil, protecting species biodiversity, and by stopping war and the poisoning of the planet, the list goes on and on.

## Taxes \_ Title

What about TAXES? anonymous transfer

What about taxes? If we could all exchange money anonymously how would the government collect taxes? Wouldn't it be *impossible*?

TAX TAXED to DEATH It's our civic duty to pay taxes  
Professional TAX RETURNS (and anxiety counseling) We give up

Everyone is sick of taxes... not so much the principle of paying them usually...but the complexity, and the nuisance of collection... and the corrupt and misguided purposes for which the taxes are spent.

waste bailouts surveillance wars perpetual interest

Most aggravating is the injustice that most of our taxes just pays perpetual interest to bankers on an *ever-expanding government debt*.

Producer-Issued Credit value = buy/sell  
Government-Issued Credit value = tax/spend

In a *self-issued* credit system, government, like private issuers, would have to maintain its credit at *par* by operating within a *balanced budget*.

Government-Issued Credit value = 1.0 when tax = spend

To do *that*, it would have to collect taxes that equal what it spends. But... the problem for government is that existing forms of tax would be *very easy* to avoid.

SCOFFLAW SERVICES VOTE BLOCKHEAD The taxes must STAY!

Imposing such taxes would therefore be difficult and expensive.

What>the #!?? Surveillance Payroll It's our civic duty to pay taxes

It would also be unfair... because those who complied would be paying for the many

who were not.

## SCOFFLAW SERVICES

From where then?

So what *would* be the source of taxes?

The Tax Haven Whisperer      An anonymous account of the day's events

The *logical answer* would be from things that *can't escape* to an offshore tax haven; from the *private use* of that which naturally belongs to us *all...* usually referred to as *the commons*.

The commons means anything that is *naturally given to all* by the Creator. Bare land, natural resources, water, air, and the electromagnetic spectrum are primary examples.

ALL PRODUCTS made from or using Resources   Taxes   Resources (the natural commons)   PAY MORE   USE MORE

Taxing the commons applies tax at *the base* of the production process. This way taxes are *included* in the price of *all* goods and services that consume or use *the natural commons*. Those who privately consumed or used the natural commons the most would pay the most towards the common expense of government.

only input   Sustainable Resource Management

But the commons is *not* inexhaustible. The world and its resources are finite. As this understanding dawns on the world, we propose to put Governments in a new position, one that requires leadership, not from bankers and lawyers, but from eco-scientists and experts in sustainable culture.

INCOME & OTHER TAXES      THE COMMONS

SUSTAINABLE BUDGET

This is because, governments, stripped of other sources of revenue, would be forced to rely heavily on the *sustainable* husbandry of all natural resources and commons within their jurisdiction.

RESOURCE ROYALTIES      USER FEES      SALES TAX

Most government revenues would come from resource royalties and user fees. In addition, a general sales tax could be enforced through mainstream retail businesses.

Taxes included in the prices of ALL PRODUCTS made from or using Resources

And where there are socially and environmentally unwelcome activities, governments could also target them with *punitive taxes*. The result of this new approach to taxation would be *much* higher prices on resource-intensive items, especially non-renewable ones.

Most Taxes ELIMINATED

But it would also result in the *elimination* of *most* existing forms of taxation.



The equal right of all men to the use of land is as clear as their equal right to breathe the air--it is a right proclaimed by the fact of their existence. For we cannot suppose that some men have a right to be in this world, and others no right.

~ Henry George Progress and Poverty (bk. VII, ch. I)

### Negatives?- Title

“Money” would be Promises of Real Things from Specific Suppliers

So... what are the potential *downfalls* in this self-issued credit system, assuming it was fully established?

Value = Buy/Sell    Right to Refuse    Insufficient Funds    Give me a break!

For one thing, in a free and global trading system backed by private production, *any Issuer's money* would only be as good as the demand for their product. As well, people might try to buy something and discover that the credit they want to spend is *not* acceptable to the seller.

Ethical Business Credit Acceptance Policy    We do NOT accept    Here is WHY

The seller can refuse acceptance for *any* reason... financial, political or personal.

This would certainly be a nuisance to the buyer and could easily cost the seller the sale, even many sales.

Well I think those companies are doing a GREAT JOB destroying the planet

You won't see me here any more!    I'm outta here!    FINANCES

So most sellers would *not* boycott any Issuer's credit without a good reason.

STOP STEALING MY FUTURE    STOP DOING BAD THINGS!

The list is TOO LONG already!    CREDIT BOYCOTT    LOVE

Payment must be acceptable to the Payee

Because *private* credit would *not* be backed up by legal tender laws, the choices would be:

Instant Credit Trading    Have:    Want:    Accept List    BDX Corp.

FOREIGN EXCHANGE

One... the buyer trades for credit acceptable to the seller, or two... the seller decides to accept the credit the buyer offers. This is what happens now when making a *foreign* purchase.

TOTAL CREDITS    update    Dad!    Kenny!    Enough checking already!

Another feature of this proposed system is that the amount of credit people have in their possession would be constantly changing by small amounts as credit valuations change with the market. This would be disconcerting at first, but as all credit issues self-correct automatically ups should balance downs over time.

Self-Balancing System NEWS dollars yuan euros yen pesos rupees

Total in dollars constantly changes

In the current system, if you have accounts in several different national currencies, you know that the total calculated in any *one* of them changes constantly.

GOVERNMENT SPENDING Out of Control NEWS

The difference is that with *national currencies*, variations in the trade value of the national currency affect *everyone in the nation*.

NATIONAL CURRENCY DEVALUED I want a raise!

With *self-issued* credit, the value of the credit in anyone's possession would depend only on the *balance-of-trade* of the *producer* that issued it, *not* the nation's central bank or politicians.

Issuer ABZ if spend = earn value = 1.0

The value of ABZ's "money" is ABZ's responsibility... PERIOD!

Governments can only devalue their own credit

If a government overspends it would only devalue the government's *own* credit, not everybody else's.

Customer Confidence NEWS Uh-oh!

It's under control CEO I. Bluett We need credit NOT happening

A crisis in customer confidence *could* destroy an Issuer's self-issued currency. But that is no different than today, trying to get credit from the bank.

Lies are spread so easily these days NOT LISTENING!

No one can STOP me That is CORRECT

*Purposeful* attempts to destroy an Issuer's credit would backfire on the aggressor because of the self-balancing feature. In every scenario we've examined, attempted attacks on an Issuer via currency aggression would be just as damaging to the aggressor as to the victim.

XYZ Corp. What is THAT about?! You didn't hear that from me

But destruction from the *inside* would always be possible. If the Issuer's employees feared that their employer's credit might devalue, they might *all* try to trade away their paycheck credits en masse.

Instant Credit Trading Have: Want: XYZ Corp. RELIABLE

SELL > buy Value 1.0

This would cause the devaluation they feared and accelerate the selloff. The public might join in. This would have the *potential* to trash the Issuer's credit entirely and thereby destroy its ability to carry on business.

Issuer credit for specific goods and/or services has a guaranteed redemption value in goods & services

However, there *is* a *plus* side to this scenario. All that devalued credit would still be *guaranteed* by the Issuer. That's because, by the rules of this proposed system, Issuers would always have to redeem their *own* credit at par, no matter what the market value.

Minimum Redemption at par Devalued Credit could be acquired and saved to maturity  
This Credit becomes an underpriced investment...

This brings us to another self-correcting feature of this system. Here's how it would work. Those who might be considering buying the Issuer's products would have the opportunity to obtain *more* of the Issuer's devalued credits than they would pay in higher-valued credits.

the Issuer's prices are effectively REDUCED

Because the Issuer *must* redeem its own devalued credit at *par*, this makes the Issuer's products more of a bargain and thus more likely to sell.

Increased sales mean increased demand for the Issuer's Credit

Increased sales would tend to bring the value of the Issuer's credit back *up*.

self-correcting mechanism Will demand survive? Can Production satisfy Demand?

Another self-correcting mechanism would arise from currency speculators. They'd ask themselves... Will demand for the Issuer's goods or services *actually be destroyed*?

Will production fail to meet the demand that survives?

I see no reason why not I'll buy some NOW Its value will recover

If demand did survive, and production met it, buying would replace selling as the maturity dates approached. This would bring the value of the devalued credits *gradually back to par*. Those who invested in them would enjoy an *increase* in purchasing power.

Profits earned by research and risk-taking plus market manipulation

Because I bet so big I force events and make BILLIONS for myself

In our current system, speculation in national currencies is a deliberately destabilizing and parasitic practice that can indiscriminately rob all citizens in the target nation of their savings.

Someone has to make difficult judgments

Speculators do it with their own money

In this proposed *new* system, currency speculation would help *stabilize* and *restore the value* of troubled Issuer credit.

...not the taxpayers'

It would allow those with doubts to voluntarily unload unwanted risk onto those willing to take it. It would also provide opportunities for risk-takers to enrich themselves by good judgment as to which credits would survive and return to par.

Knights in shining armour... rescuing Issuer princesses

By making the choice to buy devalued credits, currency speculators would be rescuing

the Issuers they believe in, potentially a valuable service to both the Issuers and to society.

What about the technology? Market

The more we diversify our credits... the longer it takes to pay

A common question about this proposal concerns technological capability. Can our technology handle all the necessary data and calculations quickly enough to be practical? No one wants to wait *even one minute* in a grocery store checkout line as the computer looks up the relative value of many individual credit issues before it calculates the payment.

I'm going to make videos to show on the Internet 18Gb \$5000

2000 Calendar You're dreaming... the Internet will never be fast enough for video

The answer to this is that, in the year 2000, there were many informed people who publicly doubted that the Internet would ever be *fast enough* to carry video of a quality worth watching.

Money as Debt online in language

In the future computers may weigh as little as 1.5 tons

Ten years later, the Internet is *absolutely overrun* with free streaming video, in high definition, available on wireless handheld devices! When it comes to computers and speed, many cautious assumptions have already been proved *ridiculously wrong*.

websites in language

In fact, accounting technologies that could implement this proposed system have been in operation for decades. In addition, *a person-to-person digital coin* has now made the leap from the drawing board to *real use*.

Yes we want it!

Security and speed are priorities for *everyone* in the digital world. Where there's a will there's a way. And the ways *already exist*.

There are NO technical obstacles

to ending money as a Single Uniform Commodity  
and replacing it with Self-Issued Credit

If our *political will* were to fundamentally overhaul the world's money system, it seems realistic to assume that the *technical solutions* would be forthcoming.

### How Will this System Define Its Value Unit? -Title

We've saved the toughest question for last. How is the value unit defined, if value is always *subjective and variable*?

What IS value? That which fulfills a Need or a Desire has Value

Value can take many forms most of them NON-monetary

The *real answer* is... one can *never know* what the full value of *any* trade might have been for those involved. Every act has *many* potential values in our lives... financial, personal, karmic, historic, or whatever.

Value = Price An individual agreement at one unique moment in Time

Sunday garage sale \$20 Monday Pre-Enjoyed Furnishings \$80

For purely commercial purposes, the “money value” of something is simply the number of money units agreed upon when it’s sold. If it’s resold tomorrow for more... or less, its *value* has changed, even though *the thing has not*. And, it could change back just as easily.

different customer different value

NON-redeemable floating value

Currency Trading hits NEW RECORD \$ 4 Trillion per DAY

We have widely agreed upon money units *now*. They’re called *national currencies*.

They’re no longer promises of anything specific, and their relative *values* are defined by speculators out to profit themselves at everyone else's’ expense.

My gain is your loss

1.00 US Dollar 0.73 Euro 6.57 Yuan 83.05 Yen 44.96 Rupees

They are the ONLY value units currently established

Nonetheless, national currency units are *abstract measures of value* that have established a *common understanding* by being the units in which we price *real things*.

They are, in fact, the *only* functioning units of value we have.

In the past, national currencies were usually defined as and were redeemable for a specified amount of silver or gold

It’s been several generations since the masses of people habitually measured the prices of their daily needs in *gold or silver equivalents*.

In the present, silver and gold are priced in national currencies which are

- NOT defined in value
- NOT redeemable

US Dollar

Is there any other choice?

Quite the contrary, we value gold and silver, and everything else, in national currencies.

So it makes sense to derive any *new* currency unit from these *existing* currency units.

Volatility = Opportunity for Windfall Profits

Now... it’s *mathematically simple* to translate the often wild fluctuations of one currency against another, into a *smooth curve* down the middle. Speculators *love* the fluctuations because they provide opportunities for *quick* and *unearned* profits.

Predictable Income earned by Production & Service New Value Unit

On the other hand, *productive business* does best with a *smooth* and *predictable* trajectory. A little bit of simple math can make a smooth curve out of several jagged ones. This smooth curve creates a new *harmonized global currency unit* in the same way that removing the noise from a scratchy audio signal produces a *clear tone*.

DEFINED as the MIDDLE

As the debt-money system tears itself apart in wild gyrations, this new global money unit could come into existence, by *arbitrary definition*, as the *stable midpoint at the center*.

to conclude... Not defined by any physical thing

Value is always subjective and variable

So, to conclude, the proposed unit of value is to be a purely *abstract* notion of value, which, in truth, would always be *unique to each individual*, as value always is.

100 Yuan CNY 10 Euros EUR 1000 Yen JPY 300 Rubles RUB 400 Rupees INR

5 UK Pounds GBP 10 Reals BRL US Dollar USD NEW VALUE UNIT

defined as the average midpoint in a weighted basket of major currencies issued by US creditors, competitors & markets USD = 1.0

Initially, this new unit of value would be defined by a *simple formula* giving it a value in relation to today's national currencies.

New Value Unit established by selling Exchange Credits for national currencies & bank credit according to the formula (for a limited time)

It would not, however, be *tied* to *any* of them. Once established, the new unit would cease to define itself by existing currencies. Instead, its value would be defined by the prices Issuers charged for their goods and services.

Issuer Product Credits NOT exchangeable for nor defined by national currencies & bank credit Issuer Credits for real goods & services expressed in the new unit

Ties to the bank credit for national currency system would be left behind and the new, *global* self-issued credit system set *free*.

As long as we cling to the superstition that we must look to government for money supply, instead of requiring it to look to us, just so long must we remain the subjects of government, and it is vain to follow this or that policy or party or ism in the hope of salvation.

We can control government and our own destiny only through our money power and until we exert that power it is useless for us to debate the pros and cons of political programs.

~ E.C. Riegel / The Surprise Weapon, Private Enterprise Money, 1944