Facts Sheet 1 **Currency Campaign Revised 20-10-2016**

Currency and the Money System

When Scotland becomes Independent we will have a unique opportunity to use our own Currency – and for the Government to take back control of the Money System from the Banks and thus eliminate future National Debt.

The following helps to explain the Money System using the Scots Pound as detailed in the book "Moving On".

Contents:

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* Key Questions & Answers:

Q: **What Currency for Independent Scotland?**
A: A new national Scots Pound (100 pence) (or an alternative name), which for an appropriate time would be pegged to follow the £ Sterling. Thereafter the exchange rate would be adjustable in relation to the Balance of Payments.

Q: **Where does the National Currency come from?**
A: The national Currency is created/printed for the Central Bank (of Scotland) upon instruction from the (Constitutional) Monetary Authority, in response to requests from Government for capital investment to pay for the costs of new infrastructure such as schools, hospitals, roads, warships, health centres, care homes, prisons, etc.

Q: **How do we change over to the Scots Currency**?
A: For an initial period of time both Sterling and Scots Pounds would have the same value and both would be in circulation. During this period the Central Bank would issue only Scots Pounds, progressively exchanging Sterling and other bank notes, £ for £, with Scots Pounds. The Commercial (private) banks would obtain Scots Pounds

from the Central Bank to issue from their private autotellers. After the initial period only the Scots Pounds would be legal tender inside Scotland's borders and the Central Bank would set its international value (rate of exchange).

Q: **What Currency Exchange Mechanism would Scotland use?**
A: The Scots Currency rate of exchange could be adjusted up or down by the Central Bank to maintain a Balance of Payments.

Q: **Who regulates the economy?**
A: The Government in accordance with the Fiscal and Monetary Policies, by means of a Budget Bill voted into law by Parliament.

Q: **What is Monetary Policy?**
A: Monetary Policy is the process by which the (Constitutional) Monetary Authority regulates the supply of money in order to optimise stability, sustainability, full employment and generally to inspire trust in the currency.

Q: **What is Fiscal Policy?**
A: Fiscal policy is the means by which a government adjusts its spending levels and tax rates to monitor and influence the nation's economy. The two main instruments of fiscal policy are government expenditure and taxation.

Q: **How are Public Services funded?**
A: Capital investment on new infrastructure will be paid with new debt free money obtained from the Central Bank through the (Constitutional) Monetary Authority. The revenues raised under the Fiscal Policy will pay for the cost of running government services, at both national and local levels.

Q: **Where does the money for the salaries and pensions of Public Service Workers come from?**
A: The revenues raised under the Fiscal Policy (taxes, rents and excise duties) pay these salaries and pensions.

Q: **Where does the National Debt come from**?
A: The accumulation of budget deficits arising from spending more than the taxation revenues and the paying of interest on the sums outstanding.

Q: **Is there a difference between Quantitative Easing and New Electronic Credit (new legal currency) created by the (Constitutional) Monitory Authority**?

A: The source (Monetary Authority) of the money is the same in both circumstances, the only difference being how it is used. The new debt free currency in the form of electronic credit will be used only to pay the invoices for new infrastructure, creating jobs and wealth; in effect eliminating the use of middlemen (banks) and the interest they require. This differs from the current use of Quantitative Easing, where it is used to buy back government bonds from the bank thus easing their already meagre reserves and ostensibly, increasing their lending capacity.

Q: **What would be the benefits of switching to a Full Reserve Bank?**
A: a. Higher interest rates for depositors as banks would be required to be more competitive in order to obtain/ retain depositors (customers).

b. Provide the Government with active control of the Money supply allowing more effective influence over inflation.
c. Increased economic security as banks would not go bust.
d. No need for bailouts from the taxpayer.
e. Curtail speculative financial trading.
f. Deposits remain the property of depositors, who thus retain legal control over how they are used.
g. Likely to see bank bonus culture reduced.

Q: **Would the Private Commercial Banks still provide Mortgages**?
A: Yes. Just like the Building Societies and they would also require to be more competitive to attract depositors' funds.

Q: Do these reforms imply that customers would have to pay banks a fee for keeping their accounts?
A: Probably yes, for transaction or current accounts, because banks will no longer own the money you deposit with them. That means they could no longer use your money as their working capital. They would however have to pay a competitive rate of interest on the savings accounts they require to meet their reserve obligations. The net result is likely to be much as at present – borrowers will pay the bulk of bank charges.

Q: **We are hearing more and more about digital currencies and that the blockchain technology will transform banking within 20 years. Would that affect the monetary policies outlined in "Moving On"?**
A: It would make the work of the Central Bank easier but is essentially just a different way of making, receiving and recording payments. It does not affect any of the fraudulent banking and currency issues resolved in the book.

It may reduce the size of the present banking sector and it may affect how taxes are collected. But it is really just about being smarter, safer and quicker money transactions, not the content or purpose of the transactions themselves.

Q: **Who benefits from the increasing value of land?**
A: The increasing value of land is generated by the creation of communal infrastructure. At present, the landowners retain the wealth created by the increase in land value without any obligation to pay a levy (as a ground rent) to the Government for the increase in land value. Charging the landowners a proportion of the land value only – initially 5%, as a rent, could replace Council and Income Taxes.

Q: **What are the nation's Assets?**
A: Scotland is a resource rich nation with a highly educated, innovative and hard working population. Our economy is widely diverse and has a well-earned global wide reputation for producing quality goods.

Although the UK government has sold off some of the nation's public assets the essential ones, such as hospitals, roads, schools, and similar remain, and are being progressively upgraded or replaced. For the future, the private sector and the Scottish Government are investing in business growth, new export markets, housing, new roads and other infrastructure that contributes to the economic health and security of our society.

Q: **Is there Political Will for a Scots Currency?**
A: The current Scottish Government does not have a record for innovation or risk taking. Only pressure from the people is liable to convince the Scottish Government to take the necessary steps to ensure that Scotland has its own Currency and the necessary debt free investment capital to build a modern infrastructure and expand the economy, thus enabling us to determine our own destiny free of debt to private bankers.

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* Questions from the Public – responses where not covered above:

1. What happens to money currently held in bank accounts in Scotland when the currency changes?
2. How will the value of the new Scots Currency be determined?
3. What countries have taken back control of their currency from the banks?

A. None to the degree proposed here. The UK has ceded virtually all control, but many, particularly in Scandinavia, but also Germany, have a much more equitable, varied and less extreme banking system.

4. Is a Scots Currency the best option after Brexit?

   A. Yes, before or after.

5. How will a Central Bank work?
6. What will a Central Bank do for the economy?
7. How does new Currency get into circulation?
8. What effect will a Scots Currency have on our pensions?

   A. None on existing UK contracts – entitlements are currently paid out all over the world to non-UK residents. Private pensions and mortgages will form the backbone of the Full Reserve banking system just as they used to be into the Building Societies. This is a 100% safe investment offering a better return than the 0% government bonds or a volatile stock market. Unfunded public sector pensions should move progressively into this arrangement leaving current revenues available to meet the needs of State pensions and welfare.

9. How secure will public sector pay be?

   A. The Scottish Government will assume payments emanating from the RUK but the systems will be unchanged.

10. How can we respond to the negative influence and scare mongering of GERS.

    A. GERS is an excellent example of "Creative" accounting – numbers assembled in a manner intended to deceive and based upon the same outdated UK monetary policies that have led us into debt, stagnation and decline. GERS cannot therefore be extended to predict a future using the fundamentally different economic and financial model proposed here. We should make no attempt to respond in the same terms. Rather offer a response based upon the policies outlined in the book "Moving On". For example: Q. How will Scotland deal with its budget deficit of £15 billion? A. Budget deficits are a Westminster problem. Scotland will not run a deficit because it will not start with interest paying debt or public investment from revenues. Next question please…How will Scotland deal with a banking crisis like RBS? A. Scotland will not have a banking crisis because it will have properly regulated full reserve banks…Next question please…Where will all the money come from? Explained in the following video but from the same place all fiat currencies come from now – the guarantee of the taxpayer. The difference is that in Scotland it will be sourced from the Central Bank free of debt – Not from private banks as interest paying debt. Etc…

11 How can we simplify the understanding of Currency issues to more easily Educate the general public and the MSPs?

A. Like most step changes in society – by perseverance and the accumulation of public opinion as the word spreads – for example – more of what we are doing now.

12 How do we transition from a society that lives on Debt to Positive Money?

13 Has the Westminster Government sold off all the family assets?

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*** The following UTube video explains how it all comes together in Independent Scotland:** https://www.youtube.com/watch?v=HsFMnqgEesM

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*** Glossary:**

- *Constitution* – the supreme set of rules and rights upon which a country or state is founded.
- *Legal Currency* – the national currency, the "Scots Pound", is the official medium of payment recognized by law to extinguish a public or private debt, or meet a financial obligation within Scotland.
- *Constitutional Monetary Authority* – the legal body authorised under the Constitution to create legal currency to meet Government requirements, normally through the Central Bank of Scotland.
- *Money* – the medium used to exchange goods and wealth.
- *Quantitative Easing* – is the introduction of new debt free money (legal currency) into the money supply by a central bank, normally in the form of electronically created credit. Under the present UK regime Quantitative Easing is fed into the banking system by repurchasing bonds held by the banks as their fractional reserves. Quantitative Easing would not be required with Full Reserve status.
- *Credit* – an amount of money available to spend.
- *Debt* – something owed. Debt arises when Credit is given.
- *National Debt* – the United Kingdom (UK) National Debt is the total quantity of money borrowed by the UK Government at any time through the issue of securities by the British Treasury and other government agencies. The National Debt is increasing by approximately £74 billion per year.
- *Fiat money* – is currency that a government has declared to be legal tender, but it is not backed by a physical commodity.

- *Pension* – an allowance paid to a retired, disabled or widowed person. The source of the pension may be from government revenues, company or personal funds and is normally based on a written contract.
- *Economy* – the organisation of money and resources within a nation or community to achieve a desired quality of life. This would include the terms of the production, distribution and consumption of money, goods and services.
- *Balance of Payments* – the difference in total value between a country's imports and exports of goods and services.
- *Government Expenditure and Revenue Scotland* (GERS) - a report created by the UK Government to distort the positive fiscal status of Scotland; that lacks credibility under forensic scrutiny; GERS is a distorted view of the past and the widespread attempts in the media and by politicians to use GERS figures to predict the future is entirely invalid. All GERS figures illustrate is that Scotland's economy has been badly handled in the past and must be changed.
- *Central Bank* – is a government institution and its primary function is to control the nation's money supply, the currency and interest rates. A nation's central bank also usually oversees the commercial banking system (monetary policy) and is also responsible for printing the nation's legal tender (Currency).
- *Bank* – a commercial entity or corporation licensed to receive deposits and make loans. Banks may also provide financial services, such as wealth management, currency exchange and safe deposit boxes.
- *Investment Bankers* – the "respectable" title attributed to Money Market Traders – the big bonus earners working for the Big Banks.
- *National Investment Bank* – (unrelated to Investment Bankers) the role would be to make low interest loans for projects that further the national economic interests.
- *Full Reserve Banking* – is a banking practice in which only the full amount of depositor's funds are available for making loans or are held in reserve.
- *Fractional Reserve Banking* – is the practice whereby a bank accepts deposits, makes loans or investments, and holds reserves that are equivalent to a fraction (3% to 10%) of its outstanding loan liabilities.
- *Credit Union* – is a member-owned financial cooperative, democratically controlled by its members, and operated for the purpose of providing credit at competitive rates, and providing other financial services to its members. Credit Unions operate as full reserve "Not-for-Profit" mutual institutions.
- *Retail Banking* – also known as High Street banks serve private and commercial customers. Services offered include savings and transactional accounts, mortgages, personal loans, debit cards, and credit cards.

- *Stock Exchange* – the primary function is as an exchange where traders and stockbrokers can buy and/or sell stocks (shares), bonds and other securities. A stock exchange has other roles in the economy.
- *Blockchain (database)* – is a secure distributed database that underlies "Bitcoin" maintaining a list of records and performing as a public ledger for all transactions.

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* **References:**
: www.scottishmonetaryreform.org.uk
: www.constitution.scot
: www.positivemoney.org

* Recommended reading: "Moving On" by Andy Anderson and Ronnie Morrison

* Feedback and Questions to: voxpopten@gmail.com info@constitution.scot g.g.anderson@btinternet.com

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