

## Green Party Autumn Conference – 2013

### Banking Reform Motion

#### Synopsis

This motion proposes a programme of reform to remove the power to create money from private banks. The supply of our national currency must be fully restored to democratic and public control so that it can be issued free of debt and directed to environmentally and socially beneficial areas.

The current Green Party Economic Policy can be viewed online here:

<http://policy.greenparty.org.uk/ec#Monetary>

#### Motion

Amend the Economy section of the PSS as follows:

- i) Delete paragraphs EC661 to EC664 (inclusive) and replace with the following new paragraphs EC 661 to EC 664:
  661. The Green Party believes that, as the means of exchanging goods and services, the stock of money is a vital common resource which should be managed in the public interest. Yet only 3% of our money supply currently exists in the form of notes and coins issued by the Government or the Bank of England. 97% of the money circulating in the economy takes the form of credit that is created electronically by private banks through the accounting processes they follow when they make loans.
  662. The existing banking system is undemocratic, unfair and highly damaging. Banks not only create money, they also decide how it is first used – and have used this power to fund financial speculation and reckless mortgage lending, rather than to finance investment in productive businesses. Through the interest charged on the loans on which all credit is based, the current banking system increases inequality. It also regularly causes economic crises: banks create and lend more and more money until the level of debt becomes unsustainable, boom turns to bust, and the taxpayer bails out banks that are “too big to fail”. Finally, the need to service the growing mountain of debt on which our money is based is a key driver of unsustainable economic growth that is destroying the environment.
  663. The existing banking system has failed and is no longer fit for purpose. The Green Party believes that the power to create money must be removed from private banks. The supply of our national currency must be fully restored to democratic and public control so that it can be issued free of debt and directed to environmentally and socially beneficial areas such as renewable energy, social housing, or support for community businesses.
  664. A Green Government will therefore develop and implement a programme of banking reform based on the following principles:
    - a) All national currency (both in cash and electronic form) will be created, free of any associated debt, by a National Monetary Authority (NMA) that is accountable to Parliament;

## Green Party Autumn Conference – 2013

### Banking Reform Motion

- b) The 1844 Bank Charter Act will be updated to prohibit banks from creating national currency in the form of electronic credit. To finance their lending, investment or proprietary trading activities, banks will have to borrow or raise the necessary national currency from savers and investors;
- c) The NMA will be mandated by law to manage the stock of national currency so that it is sufficient to support full employment, while avoiding general inflation in prices, and taking into account the development of local currencies (Ref. paragraph EC 678);
- d) Any new money created by the NMA will be credited to the account of the Government as additional revenue, to be spent into circulation in the economy in accordance with the budget approved by Parliament;
- e) The members of the NMA will be appointed – for fixed terms - by a Select Committee of Parliament;
- f) The independence and integrity of the NMA will be assured by law requiring NMA members and staff to be free of any conflict of interest; mandating full transparency of NMA decisions; and prohibiting lobbying or undue influence of NMA members or staff by government, financial institutions, corporations or any other private interest.

ii) Amend paragraph EC 665 as follows:

Insert the following words at the start of the paragraph: “As an interim measure, before the programme of reform described in EC 664 has been implemented,”

iii) Amend EC669 as follows:

"A Green government would retain ownership of nationalised banks and direct these to create a permanent and genuinely national bank out of one or more of the currently 'nationalised' banks. This People's Bank would form an exception to the percentage-based size-restriction specified in EC668: it would be available as a guaranteed safe-haven to deposit money in for any and all citizens. Most citizens seek safety for their money, not a risky high rate of return, and the People's Bank would offer this in perpetuity. The People's Bank would offer current accounts and all other basic banking services. Its lending and other policies would ensure it acts as a non-profit, seeking where necessary to restrict or to relax credit in the national interest. It would in effect be a high street branch of the Bank of England. Its raison d'être above all would be to act prudently in the interests of all its depositors, to ensure that there was no risk of a bank-run ever endangering their money. This would be achieved by the People's Bank being constitutionally limited to low-risk activities and investment in environmentally sustainable social and physical infrastructure, and by the fact that it would be owned and guaranteed by the state. A Green government would seek to bring all banking institutions into social control."

iv) Amend paragraph EC 676 as follows:

## **Green Party Autumn Conference – 2013**

### **Banking Reform Motion**

Delete the following words at the start of the paragraph: “Since these restrictions on bank lending will severely restrict the money supply,” and replace with the following words: “As an interim measure, before the programme of reform described in EC 664 has been implemented,”

- v) Amend paragraph EC677 as follows:

Insert the following words at the start of the paragraph: “As an interim measure, before the programme of reform described in EC 664 has been implemented,”

- vi) Amend paragraph EC 678 as follows:

Delete from the paragraph the whole of the fourth sentence that begins with the following words: “Community Banks will be empowered to create credit in the same way that commercial banks currently do...”

- vii) Amend Paragraph EC 512 as follows:

In the first sentence of the paragraph, after the words “...local economic activity” insert a comma and delete the words “and empowered to create credit at interest rates sufficient only to cover administration when”