THE BANKS AND THE CANCER STAGE OF CAPITALISM:

FROM CAUSE TO CURE

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John McMurtry
Deparment of Philosophy
University of Guelph
Canada N1G 2W1

The Banks and the Cancer Stage of Capitalism
(Abstract)

There is a hidden war of value codes in the world today. On the one hand, there is the life code of value: Life --> Means of Life --> More Life (L --> M of L --> L^1). On the other hand, there is the money code of value: in its classical form, Money --> Commodity --> More Money ($ --> C --> $\$^1$). In its carcinogenic form, this sequence becomes: Money --> More Money --> More Money ($ --> $\$^1$ --> $\$^2$ --> -- $\$^n$). The latter money sequence of value is decoupled from any commitment to life function and is driven by the lending and investment cycles of banks. This paper demonstrates the carcinogenic properties of this sequence at the social level of life-organization.

The second part of the paper proposes a remedy. The first step consists in making the government-conferred privileges of banks - creating money by credit and lending others' money stocks at compound interest - accountable to society's life requirements. The second step consists in returning central banks to their constitutional mandate of lending to governments rather than alienating this function to private banks. The article concludes by arguing that the great obstacle to Canada's and other countries' economic well-being is the abdication by governments of their sovereign powers over society's money supply, and the long cultivation of public ignorance on this ultimate issue of public policy and value decision.

John McMurtry
Department of Philosophy
University of Guelph

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> Until the control of the issue of currency and credit is restored to government and recognized as its most conspicuous and sacred responsibility, all talk of the sovereignty of Parliament and of democracy is idle and futile .... Once a nation parts with control of its credit, it matters not who makes the nation's laws. ... Usury once in control will wreck any nation.
>
> Prime Minister William Lyon Mackenzie King[1]

> I believe that banking institutions are more dangerous to our liberties than standing armies. Already they have raised up a monied aristocracy that has set the Government at defiance. The issuing power should be taken from the banks and restored to the people to whom it properly belongs.
>
> President Thomas Jefferson[2]

The normative decision structures or value codes we live by are sets of rules or principles distinguishing between what is desirable or of value, and what is not desirable or not of value. They designate what is "good", and rule out what is "bad".

There are two value codes at war in the world today - the life value code and the money value code. The life code of value can be formulated in simple axiom as the sequence:

Life --> Means of Life --> More Life (**L--> MofL -->L^1**)

In this formula *life* means organic movement, sentience and feeling, and thought. *Means of life*, in turn, refer to whatever enables life to be preserved or to extend its vital range on these three planes of being alive. Clean air, food, water, shelter, affective interaction, environmental space, learning contexts, and participation in the decisions governing one's life are all such means of life. To reproduce life value is to hold these capacities at their established scope. To increase life value is to widen or deepen them to a more comprehensive range.

These are the defining parameters and sequence of the life code and sequence of value. They are experienced by all humans every moment of their lives, and to varying extents by non-humans as well. Even the smallest reduction of the vital range of breath, thought, feeling, organ or limb is directly experienced by its sufferer as "*something wrong*". The more of life's breadths and depths are accessible to us, the better our condition. The more they are diminished - for example, by unemployment, a polluted environment, or unaffordable higher education - the worse our condition becomes.

In the market system, in contrast, the value code that underlies people's normal decisions and actions is always one which *affirms more money revenues as good and rejects less money revenues as bad*. These are *a priori* principles of value and disvalue in this value system, and are now presupposed as the prescriptions of "rationality" itself.

In its classical, productive form, this ruling preference for more money follows a sequence of money input (investment) to money output (profit) which can be formulated as the sequence of:

Money --> Commodity for Sale --> More Money ($\$ \rightarrow C \rightarrow \$^1$)

Money is the beginning of the value sequence and money is the end of the value sequence. More *money*, not more life, is the regulating objective of thought and action. The more money which returns to the investor of money, whatever may happen to life, the better the investment. This value-system does not calculate into its judgement whether *life* has gained or lost by this sequence - even the vital life range of the one who ends with more money. Its objective is to net more money from money. Money is not used for life. Life is used for money. The final measure of the Good is increase or decrease of *money* sums.

Since this sequence of value begins from the assumption that more money *can* produce and buy more goods or utilities, it supposes that more money sums is therefore always better by definition. This is a non-sequitur of the greatest moment. But this cognitive slippage at the very base of the money value program is not recognized. It ends in the failure to distinguish between wealth and money demand *on* wealth. This fateful confusion means, in turn, that if money demand on the wealth of life keeps increasing, but the wealth of life keeps decreasing by its demands, then the market's money-sequence calculus cannot recognize the problem. According to its metric, all is well. This logic of value can lead, if it is not seen through, to the stripping of the life-world by money demand until the life fabric can no longer hold.

There is, however, another money sequence of value which is even more dangerous to life. It produces *no* commodity or use-value at all between its investment and profit moments. It becomes more money by *interest payments* on lent money whose lender contributes no function to social production whatever. Money investment which seeks to become more money without production of any life good or service in between has been known as long as usury. But what is historically new today is that this money sequence of value has become the dominant decision-structure of social life-organization.

From 1950 to the present, for example, net revenues from lending money in the U.S. have multiplied by *almost 300-fold*. This is more than *10 times* the rise of G.N.P. over the same period, and nearly *25 times* the rise in the total farm income of the the world's greatest food-producing economy.[3] Elsewhere interest demands on national economies have been even more extreme in their exponential rise. Between just 1980 and 1994, real interest demands on less developed countries multiplied by *16-fold* from their 1975-79 average.[4] If we reflect on these figures, we see the darkening outline of an ever more serious world disorder. Turning money into more money for money lenders has invisibly become the ruling imperative of the planet, drawing ever more revenues from productive use for human beings into the decoupled money ~~insatiable~~ sequence of usury.

The lethal *mutation* in the money sequence of value occurs when money demand is no longer a phase *within* the circuit of the production of society's goods, but is exclusively committed at every stage of its growth only to the *multiplication of itself*. Instead of any productive function in the metabolism of money through the medium of use-value to more money, there is only the metabolism of money to more money *without any conversion to use-value in the circuit*.

This closed money-circuit mutation now emerges in many ways. Primarily, it multiplies and invades life-productive circuits by means of compounding interest demands. U.S. financier, J.P. Morgan, once wrote : "I couldn't name the Seven Wonders of the World, but I can tell you what the Eighth Wonder is - Compound Interest".[5] Since Morgan said these words, *real* interest rates on public debt in our own country, for example, exponentially escalated nearly *eightfold* between 1962-1981 and 1982-95.[6] At the 1967-to-1987 rate of the usury share of the national income of the U.S., it will take all of the national imcome to pay compound interest demands within 25 years![7]

Bank loans and interest loads are the drive-wheel of this money-to-more-money circuit taking over the metabolisms of social bodies across the world. This pattern of extracting money from debtors with an ever wider siphon of interest demands is most ruinous in the poor developing countries of Africa and Latin America, which are being literally bank-bled to death.. But it is draining the countries of the first world as well, bankrupting their public sectors within a decade and increasing the debt-to-income ratios of small businesses and ordinairy citizens to historically unprecedented highs. The former expend an average of 22 percent of their total income on interest demands in the U.S., while average householder debt in traditionally high-saver Canada is now almost 100 percent.[8] Students' debts, in the meantime, have have risen by 90 percent since 1990, and may soon turn the educated members of the entire next generation into the debt slaves of banks.[9]

The defining principle of the money-to-more-money circuit is that it is not bounded by any national base of control, nor by any requirement to commit itself to any productive function. It demands only to acquire maximally more money with no conversion into sustenance or service to life in between. The formula for this parasitic money sequence can be expressed as follows:

Money --> More Money --> More Money ($\$ \rightarrow \$^1 \rightarrow \$^2 \rightarrow \$^n$).

This sequence of money-demand expansion is now the master of global economies. Market leaderships demand, indeed, that governments withdraw further any attempt to regulate it. "In the face of -- efforts to regulate or control capital flows", warns the financial giant Goldman Sachs to the U.S. Senate Committee on Banking, "the marketplace will treat harshly even the largest nations."[10] "We are like the supranational government of the world", adds a major New York money manager to a national radio audience. "Where we see that politicians are doing things that are inappropriate, we hold their feet to the fire. And the way we do that is by moving a lot of money. Politicians [society's elected representatives] are *irrelevant to the process*."[11] "The growing consensus among the G-7 members" [the governments of the U.S., Japan, Germany, France, Britain, Italy and Canada]" reports the *Washington Post*, "is that *the G-7 cannot influence events much anyways*. Immense flows of private capital have intimidated the G-7 officials from any efforts to counter them."[12]

Such a state of affairs has many consequences. One is the dismantling of current democratic structures which might inhibit the increasing redistribution of wealth to the money-to-more-money circuit and the banks and financial institutions which control it. "The disposable income of the majority is being reduced," observes an internationally known economist who approves of the world trend. "The big question of the coming decades is how to find an acceptable means of scaling back democracy."[13]

The disease has spread from the financial sector to the multinational sector of the productive economy. General Motors and General Electric, for example, both made more profits in 1994 from their financial subsidiaries lending credit-money at compound interest than they did from all of their production of automotive and electrical manufactures put together.[14]

The spiralling debt and deficit circuits currently bankrupting governments and social infrastructures across the world are a primary vehicle of this now sovereign money sequence of value. For example, the total debt of less developed countries to banks has doubled from approximately $819 billion in 1982 to $1712 billion in 1993, after over $14 trillion has *already* been appropriated from these poorer societies by the money-extraction cycles of major banks.[15] This has been sufficient to collapse these societies into growing chaoses of malnutrition, illiteracy, morbidity and destitution. Tens of millions more children are hungry, diseased or illiterate as a direct consequence of I.M.F. "restructuring programs" to pay international money-lenders, while the stripping of social infrastructures for all age-groups is now a general fact across the globe.

Third-world government debts, we need to observe, were themselves largely contracted by agents within the society placed into rule by U.S.-supported military seizures of ruling power. They were then sustained in rule by external military and financial institutions which assisted in channelling these original government debt-money loans into major foreign banks to lend back at compound interest.[16]

No such process can continue for long without devastating the host societies which have been invaded. But if social bodies fail to convert their life-fabrics to the interest-extracting circuits, more "restructuring" and "structural adjustment" programs are imposed on them. Ever more "sacrifices" are demanded of societies to pay "debt-servicing" loads beyond debt. But no "sacrifice" is ever demanded of these compound-interest demands themselves. They are sancrosanct, and none dares to say they are "unaffordable". Only money that is devoted to servicing life is "unaffordable". For the money sequence of value is now absolute, and the life sequence is dispensable. Thus the life of societies is given "shock treatments" to ensure its "hard adjustments". The means of existence of people are turned into money to serve the demands of the money sequence for ever more. There is no limit to the holocaust of life on the altar of compound interest. The food, water, shelter, and heat energy available to more and more of society's members are reduced to "honour debts". Unemployment rises, social services are axed. Absolute and relative impoverishment increases, ever more youth are without life prospects, and more children everywhere are left without enough to eat. These are the wages of the new order where money's reproduction and gain, not life's, is the sovereign master of the globe.

There is a conjuncture of historical conditions which have made this increasing enslavement of societies by the $ -->$[1] --> $[n] sequence possible. But currently driving the process is the centralization of investment decisions under the control of major banks whose every choice of value is structured by the $ --> $[1] --> $[n] command. In Canada, for example, banks have increased their market share of total assets held by investment dealers from zero to 70 per cent, and of the trust and loan industry, from 30 per cent in 1984 to 69 per cent in 1994.[17] At the same time, governments rapidly redistribute public revenues to banks by making interest payments to them tax-deductible on loans which advance the money-to-more-money sequence of both banks and their money-leveraging clients. Government itself is turned into the servant of the money-into-more-money circuits with life as the disposable means of their ever-widening aggression.

In these ways, as we can observe, world society's investment decision-structures have been increasingly restructured towards a self-multiplying metabolism of money to more money with society as the consumed host. Because this now dominant sequence requires ever more decoupled money growth to reproduce itself, it invades more and more life-sites of public sectors and private sectors across the world to dismantle for more money returns, each cycle growing on the basis of a larger money base than before "to stay profitable and competitive". One of the primary symptoms of this mutation of of productive and social capital into delinked and borderless money-multiplications is that virtually no national life and health security infrastructure in the world is now safe from its invasion and demand for more "efficiency" of converting all life into moments of its self-expansion.

Consider Canada. Escalating interest demands on federal government debt have accounted for over 50 percent of its growth to the current "debt crisis". At the same time, sharp, incremental reductions of income-support for the poor and the unemployed and reduction towards zero of federal higher education and public health financial transfers to provinces have paid for the compound interest payments. Banks can bleed governments dry like family farms and small businesses. To feed their money-to-more-money sequences, there are also the "necessary" firings of tens of thousands of public servants, cut-backs in environmental surveillance and protection systems, and privatization or abandonment of evolved public transport, communication and cultural infrastructures.

A revealing rationale for this process of depriving the social body of the circulation of money it requires is to *"preserve the value of money"*. Thus in Canada and the U.S., for example, the U.S. Federal Reserve System and the Bank of Canada in the 1980's both increased the money-for-more-money rate of interest for all lending institutions to historically unprecedented rates above inflation, up to 21.5 percent prime - thereby systematically bankrupting productive companies, disemploying citizens by the hundreds of thousands, and reducing national productivity by between $40 billion (the estimate of Bank of Canada economic planners) and $140 billion (the estimate of the former President of the Canadian Economic Association) for each point drop in the national inflation rate.[18] Each rise of unemployment, in turn, increases the death and morbidity rates of society by now known correlations, again sacrificing life to the money sequence as the ruling decision structure of society.[19]

Here we see in stark terms the displacement of the value of life as the organizing principle of society by the mutated principle of "the value of money" as its ruling aim. Cutbacks to all social supports to the life sequence - assistance to the poor, public education and environmental protection - are at the same time declared "necessary" to ensure that the money sequence of value overrides the requirements of life at every level.

Such systematic overriding of the life-sequence is now clearly evident from the most undeveloped to the most advanced societies of the world. In the case of Canada, again, infant mortality rates, the quintessential indicator of social health, have just risen an astonishing 43 percent in the most recent Statistics Canada figures, the first recorded rise in over 31 years, while child poverty has increased 46 per cent since 1989.[20] At the other end of the world, in Africa, an estimated 500,000 *more* children die from the imposed "restructuring" of their countries' economies to ensure increased flows of money to external banks, while spending on health care has declined by 50 percent, and on education by 25 percent since these "structural adjustment programs" began.[21]

The new modes of mutating the metabolisms of the social body to serve the money-to-more-money sequence are numerous. None produce any good. All serve to redistribute wealth and resources from the poorer to the richer. All are bank driven or assisted: turning bankrupt governments into receiver-states enforcing money lenders' ever-growing demands on ever poorer public sectors; demanding ever more tax-breaks for investment in debt over equity, and in non-productive speculation instead of job-creating enterprises; attacking national currencies by speculative buying and selling in multi-billion-dollar-profit accumulations which create no use-value and which cripple social and economic orders overnight; transforming productive enterprises into broker-and-lawyer-dismantled assets-for-sale by leveraged buy-outs which pay for themselves by unproductive appropriation of the liquid capital of the bought firms; deregulating high-interest savings-and-loan institutions so that their principals can expropriate up to $500 billion from taxpayers to pay for their speculative money-into-more-money circuits; transferring tax-obligations to pay bail-out costs to productive members of society with ever less income to extract; directing citizens' saved money stocks to billion-dollar, hostile buy-outs, and to round-the-clock arbitrages and speculations on derivative market and currency values disconnected from any productive function; channelling vast mutual and pension funds that now bear the privatized old-age security of the first world's middle class into socially delinked speculative transactions.

The overall pattern that results is historically unprecedented. Business journals estimate that the U.S. monthly electronic trade in currencies, futures derivative instruments, stocks and bonds, operating beyond effective government regulation exceeds the entire annual GNP of the U.S.; that of the $900 billion of currencies traded every day in U.S. stock exchanges, *only one out of every 70 dollars* of effective demand actually pays for trade in goods or services; that financial sector's annual volume of trading is at least *30 to 40 times* greater than the dollar turnover of all production and distribution of goods and services; and that over

100 times more is now expended on stocks and bonds than is invested in plants and equipment.[22] As these indicators disclose, the escalating money-for-more-money circuit with no commitment to life-function now overwhelms the organization and reproduction of societies. The pattern is carcinogenic, and prescribes sequences of uncontrolled money growth in place of life preservation and development.

The Properties of Carcinogenic Invasion:

There are seven defining properties of a cancer invasion which medical diagnosis recognizes at the level of the individual organism. These seven properties can now be recognized at the level of global life organization as well.

That is, there is:

(1) an uncontrolled and unregulated reproduction and multiplication of an agent in a host body; that
(2) is not committed to any life function of the host body; that
(3) increasingly appropriates nutriments and resources from the host body in its growth and reproduction; that
(4) is not effectively recognized by the immune system of the host body; that
(5) possesses the ability to transfer or to metastasize its assaultive growth to sites across the host body; that
(6) progressively infiltrates and invades contiguous and distant sites of the host body until it obstructs, damages and depredates successive organs of its life-system; and that
(7) without effective immune-system recognition and response eventually destroys the life-host.

The question thus arises: *If* there is in fact a cancer-like pattern advancing across the world's social bodies, what can be done to arrest its advance?

Finding the Cure:

If we consider the paradigm case of private banks as an exemplar of the money-to-more-money code overriding the life-requirements of society, we can see that we have every reason to expect regulation of these banks in the common life-interest. They are government-chartered and protected institutions. They live off the government-granted right to demand minimum compound-interest payments on the lending of other people's money stocks, and on money they privately create by the issuing of new debts. They have been permitted to take over the quintessential government function of controlling and creating society's money-supply itself.

Recently, it was estimated that *96 per cent* of all new money that enters the U.S. and Canadian markets is created and controlled by social pattern is obviously pathological. What prevents us from seeing it is that the facts are kept from the public at every level, while a non-stop campaign of propaganda from both banks and corporate-financed politicians reassures with rationalizations that have no connection to the evidences of reality. It is even argued that "when the public bashes the banks they are really bashing themselves", a statement from the C.E.O. of the Bank of Montreal which unwittingly expresses the pathology.[25] It assumes that the money-stock investors in the banks *are* "the public", and that the interest of the money sequence of value is the common interest. It is this generalized collapse of life-and-death distinctions which characterizes the masking markers of our social disease.

How can the money-sequence of value be made responsible to society's common life interest?

Given that banks receive from society the privilege of a legislation-created charter, the use of others' money-stocks and deposits, the right to create society's money supply through the continuous issuing of new debts, the instituted power to charge minimum rates of interest for producing no good, the benefit of publicly subsidized deposit insurance on their high risk and non-productive speculations, and the protection within society of all these special privileges and operations by the force of law, we can
have deduce~~d~~ that the private banks owe a massive obligation back ^
to society. The entitlements they have been given to create and supply society's money for their unproductive profit should either be removed or, at the minimum, be made contingent on the *strict condition that society's money supply is credited, loaned and invested in ways to protect and enable society's most basic life-interests*. This may seem an extremely modest requirement of obligatory return for such regal privileges, but if its minimal obligation *was* required to be fulfilled, it would significantly transform our now rapidly deteriorating life-condition.

Once we recognize that banks owe society for every power of money demand they have, a dependency long concealed by solemn secrecy and the presence of dominant bank temples at the centre of every city, it is not difficult to identify appropriate requirements to make them accountable to society's life. If a market society clearly needs more effective demand for jobs to resolve its problems of unemployment, for example, bank interest-rates should be required to be very low, long-term rates for new domestic enterprises which create secure jobs. The requirement here is so obvious that it may strike the reader as incredible that such a bank obligation has not long ago been recognized. That private banks have managed to escape any such minimal obligation becomes still more remarkable when it is realized that this arrangement has *already been long implemented* in the form of special development banks and public enterprises in the most competitively productive economies of Asia today and North America in the past. All that is required is that banks are regulated so as to set aside a substantial level of their private money-lending institutions. In 1982, when the market frenzy of "deregulation" began in the U.S., the eminent economist Lester Thurow observed (emphasis added) "The Federal Reserve Board announced that it was giving up on its attempts to control the U.S. money supply on the grounds that [banks and other lending institutions] ... had essentially *taken over the government's nominal role as the printer of money.*"[23] Banks and other institutional lenders have become in this way "private mints" controlling and adding to society's money supply as they please to maximize their profits. All this they do with no requirement to lend the money to productive investments or to enterprises in the public interest.

Banks, in short, have increasingly shed their obligations to the larger social interest, while simultaneously appropriating to themselves ever more social powers properly belonging to public authority. They have acquired one lucrative privilege after another, with no connection back to their host-society's human needs.

This expanding regime of money-to-more-money disconnected from society's life requirements must eventually deprive society of its life-lines of revenue on every level. And, over time, it has. Hence banks' loans and investments go ever more preponderantly to non-productive and destructive uses - asset-stripping buyouts, disemploying mergers, destabilizing speculations in currencies, gambling on stock-market derivatives, predatory repossessions, financing takeovers of successful domestic firms by foreign multinationals, and privatized, compound-interest loans bleeding public governments dry. These unproductive and depletive loans and investments on the basis of domestic savers' money and society's charters and support-services are, moreover, leveraged to high ratios of demand to cash to escalate the volume and velocity of depredatory effects on social life-organization. These implementations of the money-code decision-structure constitute, in David Korten's words, "a parasitic predator that lives off the flesh of its host - the productive economy".[24]

It is clear that such a pattern of behaviour, increasingly globalized across boundaries and segregated from the home societies which fund, insure and protect private bank operations, mounts a systemic assault on the life-requirements of societies and their citizens. Along with the other principal bearers of financial operations in society - the stock markets, the insurance corporations, and the financial institutions and arms of corporations which all conform to the same value program in every moment of their decision sequences - the banks are the ruling money-demand bearers and, thus, success-stories of society. As we know in Canada, the banks keep making record profits while Canadians suffer the worst and most prolonged unemployment crisis since the Depression. Indeed, the Big Five banks cut thousands of their own workers as they reaped billions more in profits. Such a overall loan and investment portfolios to such accounts to continue qualifying for their government charters, special entitlements and right to lend and leverage others' money stocks.

Otherwise, all money-creating powers should revert to public authority, be tied to the rate of real economic growth, and lent solely to enterprises producing goods serving the life sequence of value. Private banks would in such a situation be returned to the normal rights of private market agents. They could continue to lend their money stocks as their stockholders chose, but on the basis of 100-percent reserves rather than on the private creation of money.[26]

As long as private banking institutions are permitted the power to create money demand beyond their reserves, their privilege must be tied to the public interest by specific conditions for exercising it. Money creation is a foundational right of public authority, and constitutions standardly express this fact in their specification of national government control over matters of the national currency. Once such conditions are specified for all banks as obligatory in all money creation beyond 100 percent reserves, banks can be made to comply with the common interest. Requirements of productive and job-creating loans could ensure higher employment, a more productive society, more diversified business activities, and a wider tax-base to fund society's public goods. Small businesses, which create the majority of new jobs, would especially benefit - instead of being consistently under-credited and under-financed by private banks whose decision-structure is biased against their scale of assets. Since private banks depend on special government entitlements, protection and insurance, and on *domestic* citizens' and governments' money deposits and loans, the usual recourse of capital flight to other jurisdictions would not be available as an instrument of social intimidation.

By the same principle of linkage of society's domestic money supply to society's most pressing life-requirements, interest rates set by the central bank can not only be calibrated *lower* for secure job-creation enterprises in society's life-interest, but pegged significantly *higher* for speculative enterprises which do not create any social good or service at all. We must make no mistake about the banks' unlimited demand for more profits whatever the cost to the productive economy. As I edit this analysis, I read in today's paper that year after year of record billion-dollar profits in times of unemployment crisis are not enough for Canada's leading bankers. They want still "more aggressive" money returns for no productive performance, a futher hike to "16 to 18 percent in the medium-term target range".[27]

In these circumstances of aggressive appropriation of ever more of society's revenues for bank growth, the distinction between money loaned for life-serving, job-creating enterprises on the one hand, and money loaned for parasitic speculation on the other hand, has not yet registered on Western governments or central banks as an issue. The determining decision-structure of the banks is now sequenced solely to turn money into more money demand for money lenders whatever the price to life. In the end, we can see the problem is, ultimately, a value-system war. The market imperative of self-maximizing choice systemically conflicts with the requirements of society's vital life. Such a disorder is only soluble by return to government's function of regulating in the common interest. A sane value ground seeks to enable the sequences of life rather than money as an end in itself. But such a sane value ground is now lost to government policy and, needless to say, to the unleashed self-maximization to which governments appear now to be enslaved.

Central banks now *claim*, ironically, to be committed to a social value - "reducing inflation". But the role that bank interest rates *themselves* play in inflation is ruled out of view: *even though interest rates are demands for money without production, and therefore necessarily inflationary*. This is the great taboo topic of banks, and indeed of current market doctrine in general. The taboo is predictable. It follows from the blinkers of the money code and sequence of value which rules out from view whatever exposes its operations.

Relating rates of interest to society's most basic life-requirements, by distinguishing between enterprises which are job-creating and productive and enterprises which are not, would help banks to be less inflationary. It is policy which would also enable domestic economies to significantly overcome unemployment. Although such policy and choice may be self-evident to a decision-structure grounded in the life value-code, it is repelled by the current market value-set. We are dealing here in a very real sense with the disassociation of the money code from the world of life.

Differential interest rates set for economies by central banks need not be confined to the basic social interest of an increased productive and employment base. Some enterprises fulfil society's foundational life interests in other ways. Here too, a preferential interest-rate would only apply so long as the defined function for society was being demonstrably served. For example, another, self-evident life-requirement of societies is to preserve the air, water, soil, and atmosphere from continued despoliation by market operations. Every society across the world is suffering from the pollutions and toxic effluents of industrial processes and products. But no banking system in the world, although now in command of society's creation and allocation of money, is yet required to direct *any* of its bank-enriching loans and investments to the development and production of pollution-abatement instruments. Given that the entire world requires such devices for social and environmental life-protection, and given the fact that no financial institution anywhere has yet been required by any public or intergovernmental authority to ensure preferential funding for any such product of survival, we observe again another bellwether marker of the disconnection of society's money-credit system from reality. Even the most well-known means to preserve the very conditions of life on the planet are blocked from view as preferred objects for money-investment.

Here too, an amount equivalent to a small percentage of the overall loan and investment accounts of private banks, or indeed of the overall money-investment portfolios of tax-deductible pension funds, could be required as a condition for their charters and tax deductions. In this case, a collective fund for a specialist Innovative Product Development Bank, or the like, could be mandated to ensure that such basic life-requirements of society are met, and not evaded by consciousness enslaved to the money sequence of value. "Development financing" of one kind or another offering very low and long-term interest rates to mandated projects in the public interest have already been the basis of most market successes in developing infrastructure from nineteenth century North America to contemporary Asian "market miracles". But these financial plannings of capital investment in the public interest have focused solely on industrial production. In keeping with the money-sequence program's blindness to environmental and health requirements, they have predictably ignored life-protective products. Here as well, the connection back to life's underlying organic requirements has not been possible for the narrow lenses of the money-code program.

Once the mind is permitted to open past the blinkers of this disordered value regime, vital life-requirements of many sorts come to view. All of these too can be recognized, articulated and mandated into the decision-structures of society's money-creation and allocation process, which are a long traditional jurisdiction of sovereign governments.

There are many calls of life for public intervention on behalf of life needs and against life destruction by the money-to-more-money sequence. For noiseless machines to still the ever expanding motor-racket businesses pervading the planet; for high-protein vegetarian fast-foods to reduce the many-times less efficient use of arable land by industrialized agribusiness and the earth-wide slaughterhouse of fellow creatures; for priority research and development of physical systems to convert wastes of every sort into reusable manufacturing forms; for more efficient water-recycling processes to convert waste water and sea-water into redeployable or potable forms. It is self-evident to the life ground of value judgement that all these products qualify at the highest level of need. But, once again, none is or has been invested in by decision of the market's current schedule of preference. It operates in accordance with only one overriding goal, and that is adding money-value to private money invested by self-maximizing money-lenders and investors. If there is no private money-demand for what is in the shared interests of planetary or human life, then it will count as of no value to this ethic. The way in which money-demand can be *reconnected* to the shared life-interest of societies and their environments is to require that the private creation of money by bank loans corresponds to this common life-interest.

The simplest measure to effect this correspondence is for government to mandate an exact and calibratable percentage of overall bank loans and investment funds to publicly monitored job-creation, pollution-abatement and other activities in society's interest as a condition of private banks continuing to exercise a quintessential government right.

Demystifying Money:

Money, we need to keep in mind, is the bearer of *all* value in the global market value system. So universal, presupposed and overriding is the demand its units bear that even value theorists, ethicists and philosophers avert their eyes from examination of it. They defer, on the contrary, to sovereignty of its social demand as a given more certain than the testimony of the senses. But if we seek to regulate what exists so that it does not destroy us, we need to reassert social control over money demand's social creation, allocation and unearned returns. To do this, we must *reground* the nature of the money-unit itself in the social systems of life upon which every power it has entirely depends.

Money is now a society-created right to demand whatever exists on the face of the earth as the money controller's, in direct proportion to the units of money that are controlled. It is the socially investitured license to demand, in effect, ever more of the lifeworld in all its forms as an object to be used or consumed as its possessor chooses. There is in the current market value system no limit to the demand that the money possessor can exercise of this sovereign entitlement to consume and command life. What is totalitarian, in the strictest sense, about the current "global market" is that it increasingly transforms *all* that exists on the planet into the object or refuse of money demand, with no bound of law or custom to what can be appropriated or destroyed.

Money-demand has become in this way the world's transcultural God. Its commandments exercise a shock-treatment rule over all life, with even universities, pontiffs and heads of state falling to their faces before its prescriptions as their final law on earth. Yet without round-the-clock sustainment by social institutions, the awesome sign of money would have no more power than children's play bills. As its socially manufactured, protected and subsidized powers of demand become increasingly more absolute and monopolized, there are no public questions. The final game of existence is only to compete for ever more of it.

In this servile ethical and civil condition, there is a remedy. The *creation* of money is a first power of society, followed by the power to *allocate* it, and then to receive *more* from it in unearned returns. But at this ground level of society's process of money-demand creation and allocation, *prior* to any use of it for any productive purpose, and *prior* to any claim to deserve its rights of social demand, governments have long-recognized rights to determine its creation, supply, and rates of interest return. There is no question of this sovereign right. But bankers and money managers over years of financing and ~~hard~~ lobbying political parties have plied and pulled away these powers, while public servants have come to identify with these private financial interests as their future employers. This culture of complicity is now sovereign in government, and requires public recognition if society is to regain the health of its economy and control over its life.

As in other enslavements to ignorance and superstitious awe, here too servitude to invisible hands and smokescreens can be quickly dispatched. It is as reversible by policy decision as sacrificing people to please the gods. It continues to rule only by the collaboration of closed eyes and minds.

To be specific, national banks are subject to national governments. They can be told what to do to serve the public interest, or be replaced in executive personnel by statutory direction. For example, the codified 1934 Bank of Canada Act already has, under Article 18, a 60-year-old constitutional authority to lend money to the federal government at low interest rates up to one-third of its revenues. These interest payments to the Bank of Canada, in turn, revert to its sole shareholder, the government. The Bank of Canada also has this constitutional mandate in regard to the country's provinces for up to one-quarter of their revenues at any rate of interest it chooses. It has, moreover, the further established right to draw upon mandatory money reserves deposited by private banks, up to 100 percent of their loans, to use for its own purchase of government bonds without inflationary effects. The Bank of Canada is, moreover, specifically obliged by its general provisions to "mitigate fluctuations of employment". It is, finally, publicly owned, responsible to the public interest, and its chief executive is a government-appointed public servant. All interest payments to it revert to its sole shareholder, the government. In short, all the instruments for serving the common interest of society's life-requirements are *already* encoded in existing law.

The very statement of these government debt-payment measures provided for by law to manage public debt may unsettle the reader. How could these legally instituted measures *not* have been already adopted, we might ask, to meet the declared "public debt crisis" which has systematically defunded and dismantled society's health, education, and social-security systems? The answer to this question, once again, is that what is self-evident to the *life* value-ground we bear as human beings does not and cannot compute to the money value-ground which propels bank agents.

How, one is bound to wonder, can a regime so prejudicial to the public good persist with no opposition? The answer is that what is not seen is not opposed. It is interesting to note in this connection that the global market's international co-ordinating body that has led the substitution of privatized government bonds for bank reserves is the Swiss-based Bank of International Settlements, a socially unaccountable, private-banker committee which plots the world's norms of money creations and supplies outside of the public's gaze. The Bank of International Settlements, we might note, was originally set up to bring German war reparations under banks' control before the 1929 Crash and Great Depression. It was later to hand over Czechoslovakia's gold to Hitler on his invasion of Prague in 1938.[28] Today, it leads a policy of abolishing all reserves for bank loans, a carte-blanche for banks that was secretly passed into law in Canada in 1991. The banks' view is that everyone else must have collateral for loans, but reserves to back up loans are unnecessary for banks. They are called an "unfair tax", an Orwellian conception that is cheerfully repeated by the Governor of the Bank of Canada, Gordon Thiessen.[29] The logic of the bankers' code is one which exempts them from the principles they prescribe as inviolate to everyone else. This is expedient for business.

One could hardly ask for more revealing elaboration of the money value program of the banks. Governments' staggering debts have remained fixed on the public's back to ensure that the money-for-more-money sequence to money lenders continues and grows. Nations' systems of public health, higher learning, unemployment and social assistance, environmental monitoring and protection, public broadcasting and civil commons in general have been rapidly reduced, dismantled or privatized to "pay down the public debt". The overriding of the life value-code by the money value-code *within* the process of public government itself could hardly be more exemplary and tragic. Yet none of its cause is publicly recognized.

The reader may find the overarching pattern at work here difficult to compute. To protect against the dissonance of recognition, it is easier to accept the market's representations. "Society is living beyond its means". The phrase implies that the "means" belong to someone else. They belong, that is, to the interest demands of money lenders - now, at nearly 40 percent, about equal to all expenditures of the government on all of its social programs put together. Yet greater public debts have been managed with no crisis before. In the revealing case of Canada, for example, it paid back a far higher debt as a percentage of G.D.P. after the Second World War with a robust growth rate at the same time. In exact contrast to the life-stripping sequence we have observed above, central bank policies ~~elaborated in accordance with society's most basic life requirements~~ rapidly reduced foreign debt from 30.4 percent to 6.3

percent in just seven years. It also reduced overall debt from 140 per cent of GDP to 26 per cent of GDP, all the while increasing government expenditures on health, education, social security and other civil commons infrastructure.[30]

Let us summarize.

Money creation, supply and allocation in the global market system have been "unfettered" from accountability to society's life-requirements. This has occurred because governments have abdicated their function of safeguarding the common interest. A rogue value-code has reprogrammed their decision-structures, policies and implementations to serve its demands instead. The distinction between the demands of the money code and the requirements of the society's life has collapsed. The unseen master-switch of this subversion of government's proper function on behalf of the common interest has been the covert acquisition by private financial institutions of control over society's primary unit of value, money demand. Its creation, allocation and interest returns have together been subjugated to the decoupled money sequence of value as the sovereign ruler of society. But the reversal of this usurpation of government in the common interest is not beyond reach. The lawful grounds and instruments of accountability to society's shared requirements of life have already been won, and are available for use by governments if publics demand it. "Banks can change" is a motto which was coined by the bank kindly sponsoring this lecture. Here we agree. But the modal operator should be must.

ENDNOTES

1. Cited in *Monetary Reform*, Summer 1996, p. 16.

2. Cited in William F. Hickson, *Triumph of the Bankers: Money and Banking in the Eighteenth and Nineteenth Centuries*, Westport, CT: Praeger, 1993, p. 94, and *Ibid*, p. 16.

3. These figures are drawn from William F. Hixson, *A Matter of Interest: Re-Examining Debt, Interest and Real Economic Growth*. New York: Praeger, 199i, pp.xiii, 230.

4. John Dillon, *Turning the Tide: Confronting the Money Traders*, Ottawa: Ecunemical Coalition for Economic Justice and Centre for Policy Alternatives, 1996, p.67.

5. Cited by Ed Finn, *Canadian Centre For Policy Alternatives Monitor*, July/August, 1996, p.4.

6. Cited by John Dillon, Turning the Tide: Confronting the Money Traders, Ottawa: Ecunemical Coalition for Social Justice, 1996, p.42.

7. Hixson, Ibid, p.177.

8. Hixson, Ibid, p.176.

9. Michael Piva, President of the Ontario Confederation of Faculty Associations in a response to the government's decision to raise tuition fees by another 10 to 20 percent, Toronto, February 5, 1997.

10. Eric R. Peterson, "Surrendering to Markets", *The Washington Quarterly*, Autumn 1995, p. 113.

11. Monsor Ejazz, "Economic Forecasting", C.B.C., "Sunday Morning", September 25, 1995.

12. Fred Bergsten, "The Corpse at the Summit", *Washington Post*, June 11, 1995, p. C-4.

13. This quotation is from Ian Angell, a professor of information systems at the London School of Economics, cited by Richard Gwynne, "Voice of Angell Provides Hard Truths", *Toronto Star*, October 6, 1996, p.A17. Notice that the "acceptable" redistribution of wealth from "the majority" and the consequent need to "dismantle democracy" are headlined as "hard truths".

14. *Canadian Centre for Policy Alternatives Monitor*, October, 1995, p. 5.

15. Ecumenical Coalition for Economic Justice, *Economic Justice Report*, Volume 5: No. 2 (1994), p. 7.

16. Nate Laurie, "The Economy: How Third World Debt Goes in Circles", *Toronto Star*, February 27, 1987, A19. R.T. Naylor, *Hot Money and the Politics of Debt*, Montreal: Black Rose Books, 1994. Manuel Pastor reports that interest extractions from capital flight amount to 40 percent of debt payments in Argentina and Mexico, and about 70 percent in Venezuala.("Latin America, the Debt Crisis and the International Monetary Fund", *Latin American Perspectives*, XVI:1 (1989) 79-100.

17. Report of the Auditor-General of Canada 26/05/96.

18. Linda McQuaig, *Shooting the Hippo: Death By Deficit and Other Myths*. Toronto: Penguin Books, 1995, pp. 87-8.

19. The 1997 Alternative Budget of the Canadian Centre of Policy Alternatives reports that a reduction of unemployment from 10 to six percent would lower mortality rates by 3.6 percent, the homicide rate by 5.7 percent, the suicide rate by 2.1 percent, the number of arrests by 12 percent and the number of people in prison by 18 percent.("Unemployment Inflicts High Social Costs", *CCPA Bulletin*, March 1997, p. 9.

20. Alanna Mitchell, "Rising Death Among Infants Stun Scientists", *Globe and Mail*, June 2, 1995, Statistics Canada News Release, June 1. Isaac Prilleltensky, "Propaganda Works: Economic and Social Policies are not Beyond the People's Control", *The Record*, Dec. 11, 1996, p.A13.

21. Susan George, *Proceedings of the World Congress of the International Physicians for the Prevention of Nuclear War, XI*, October, 1993, p. 239. Ecumenical Council for Economic Justice, *Recolonization or Liberation: The Bonds of Structural Adjustment and Struggles for Emancipation*, Toronto: 1990, p. 12. For regional analysis of this problem from a health-care perspective, see Marc Epprecht, "The World Bank, Health and Africa", *Z Magazine*, November 1994, pp. 31-8.

22. Ecumenical Coalition for Social Justice, "Cooling Hot Money", *Economic Justice Report*, Vol. 5: No. 2 (1994), p. 2; Ted Fishman, "Our Currency in Cyberspace", *Harper's Magazine*, December 1994, p. 54; Kevin Phillips, "The Tyranny of Traders", *Report on Business Magazine*, November 1994, p. 65; Dillon, *op.cit.*, p.2.

23. William Henry Pope, "The Re-Nationalization of Money", *Options Politiques*, February 1992, p. 33.

24. David C. Korten, *When Corporations Rule the World*, San Francisco, CA: Berrett-Koehler Publishers and Kumarian Press. 1995, p.193.

25. Cited in the *Report on Business*, January 25, 1997, p.B2.

26. It is little known that the creation of money by government at low interest rates for private and public enterprises whose debt-service payments revert to public ownership is a long-established device of prosperous growth: upon which, for example, the success of the pre-revolutionary American colonies depended, and over whose prohibition by the British government the revolution itself was precipitated. See, for example, John Kenneth Galbraith, *Money*. Boston: Houghton-Mifflin, 1975, pp. 45-89. Even less known is the fact that the arch monetarist, Milton Friedman, has long held that government should retain sole right to money-creating powers, and that private banks should be kept out of the money-creating business by requirement of 100-percent reserves. "The chief function of the monetary authorities [of the federal government would be] the creation of money...[and] would leave as the chief monetary function of the banking system the provision of depository facilities, facilities for check clearance, and the like." (Milton Friedman, "A Monetary and Fiscal Framework for Economic Stability," *The American Economic Review*, Vol. 38 (1948), pp. 245-64. See also John H. Hotson, "Ending the Debt Money System," *Challenge*, March-April, 1985, pp. 48-50 and "Professor Friedman's Goals Applauded, His Means Questioned," *Challenge*, September-October 1985, pp. 59-61.) This is apparently a position that the politically opportunistic Friedman has thought better to remain silent on in the present circumstances of power.

27. The words are those of Charles Baillie, C.E.O. of Toronto-Dominion Bank, after the third record year of profits for "the Big Five" at 16 percent.(John Partridge, "Toronto-Dominion Posts Record Profit", *Report on Business*, February 28, 1997, p.B9.

28. William Krehm, "The Hidden Dossier of the BIS", *Economic Reform*, May 1996, p. 4.

29. For a fuller story of the more or less complete subjugation since the 1980's of Governors of the Bank of Canada to the private interests of large banks and bondholders, see William Krehm, *A Power Unto Itself: The Bank of Canada - The Threat to Our Nation's Economy*. Toronto: Stoddart, 1993.

30. William Krehm, "Genie Out of the Bottle" and "Let's Talk Bonds", *Economic Reform*, January 1996, pp. 1, 5.