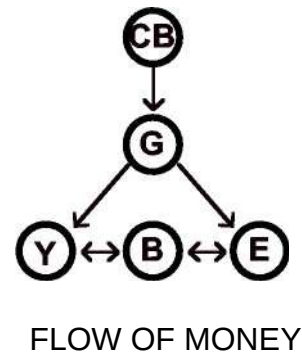


If you advance money to any poor man amongst my people, you are not to act like a moneylender; you must not extract interest from him. Exodus 22.25

Debt-free economy



- 1 Central Bank creates enough money
- 2 CB gives money to government
- 3 Government puts money into circulation
 - builds schools and hospitals
 - start-up funds for mutual banks
 - citizen's income
 - money circulates through banks
- 4 Banks lend money they have on deposit
- 5 Borrowers pay the bank a fee.

Banks would not be able to make money by piling debt on debt. They would match savers with borrowers and charge a fee for their services. At present the Central Bank tries to regulate the money supply by adjusting the interest rate so that borrowing is more or less attractive. Thus more or less money is created. This is a crude tool, so the bank rate has to be hastily changed. It would be better for the Central Bank to create the necessary amount of money itself and to give it to the government to spend into circulation. (If the government were to create the money itself, it might issue too much to 'buy' an election and cause excessive inflation.). Government would have about an extra £50 billion to spend.

(see *Creating New Money* by James Robertson and Joseph Huber, New Economics Foundation, 2000)