

billion. If this rate of growth is projected over the next 25 years, the money supply in 2022 will be over £14,000 billion.

All that new money bears interest paid either by us as individuals, by companies or by the Government. Today the Government pay over £30 billion annually in interest charges -- coincidentally about the same as the total money supply only 25 years ago. Governments since then have abdicated their responsibility for producing new money and controlling the money supply so that now they are marginalised. In 1971 government notes and coins accounted for 14 per cent of the money supply. Now it is only about 3.5 per cent. "So what?", noble Lords might ask.

The problem is that it is commercial lending that has boosted the money supply, thus increasing debt and, as sure as night follows day, inflation follows growth in money supply of this sort. The only reason that debasement has not flowed into price figures in the last four years is that the high interest rates in the recession gutted businesses and individuals, leaving too many unable to pay the price levels that the debasement requires. But the wall of money is increasing remorselessly. The noble Lord, Lord Ezra, mentioned the Halifax Building Society's latest surplus of about £3 billion to £5 billion.

Since 1991, in a time of recession, it has increased by 32 per cent and most of that is in the last two years. We must remember that virtually all the increase represents a rise in the burden of debt the economy must carry. The wall of money has already driven the stock market to an all-time high and some are now questioning whether it truly reflects company performances. Recently more money has begun to be channelled into both the residential and commercial property markets. Here I must declare my interest as a residential surveyor in central London who has benefited from that. Our company, Victoria Soames, recorded a hardening of the residential market early last year, followed by a 20 per cent rise in the last six months. That rise is continuing, if not accelerating. Lenders remain aggressive and, very disturbingly, the proportion of borrowing by individuals is moving up.

When the money supply increases, as it is doing, the previously existing money is debased accordingly. Therefore, either wages and salaries must also increase to maintain parity or those who earn wages and salaries will

find that they no longer participate in the national economy to the same extent as they did previously. This exacerbates the growing fragmentation of our society, which cannot go on for ever. I am not advocating high wages but I am advocating less debasement and better control of the money supply.

When wage inflation does happen, it will feed through to all parts of the economy. The result, sadly, will be that the Government have to use the only tool they know -- an increase in interest rates. That has happened fairly recently, but it is not the first time that it has happened. We saw it in the 1970s and again in the 1980s. It is a consequence of our debt-based monetary system that it leads inevitably to business and economic cycles.

Conventional wisdom tells us that in order to create new jobs and boost the economy, interest rates have to be reduced. That has happened. People are encouraged to borrow to invest and spend. That has happened. As the continuing flow of new money finds its way into the economy, inflation will follow and up will go interest charges again to reduce the level of borrowing. In order to pay the increasing levels of interest, borrowers will once more have to reduce expenditure in other areas of economic activity. The cycle will continue, but the next time, as before, we will all start deeper in debt and with a burden harder to carry. Personal debt has already increased by nearly 3,000 per cent since 1971. How much more can we take? I hope, for the sake of our economy, without which we cannot finance what we want to see - a good health service and a good social security system among other things - we will question this conventional wisdom.

We all want our businesses to succeed, but under the existing system the irony is that the better our banks, building societies and lending institutions do, the more debt is created. The noble Lord, Lord Kingsdown, said that there is little that can be done about debt. No, I do not believe that. There is a different way: it is an equity-based system and one in which those businesses can play a responsible role. The next government must grasp the nettle, accept their responsibility for controlling the money supply and change from our debt-based monetary system. My Lords, will they? If they do not, our monetary system will break us and the sorry legacy we are already leaving our children will be a disaster.

## Further Political (In)activity

The Earl of Caithness was not the first, nor has he been the last, Parliamentarian to raise the matter of the nation's money supply within the hallowed chambers of the Palace of Westminster. Yet it is currently 'off the agenda' for all the major parties.

The issue of money has been raised by other Lords and Members of Parliament from both the 'left' and 'right' of the British political spectrum. It is not a matter of right and left, but of right and wrong. It is right that money should be created solely as a public resource. It is wrong that money can be created out of thin air for private profit - why else do we have laws against counterfeiting?

Money reform may not therefore been seen as a left/right ideological issue, but given that only Parliament has the authority to change the present origin and nature of the money supply, the issue of money is quite clearly a political issue.

## THE MONEY REFORM PARTY

The Money Reform Party exists to educate the British people and their politicians about the money system and to campaign against the creation of the money supply by the private banks.



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To find out more about the problems caused by our present debt-based money system, check out the following websites:

[www.moneyreformparty.org.uk](http://www.moneyreformparty.org.uk)  
[www.prosperityuk.com](http://www.prosperityuk.com)  
[www.monies.cc](http://www.monies.cc)  
[www.jamesrobertson.com](http://www.jamesrobertson.com)  
[www.ercouncil.org](http://www.ercouncil.org)

[www.monetaryevolution.net](http://www.monetaryevolution.net)  
[www.ccmj.org](http://www.ccmj.org)  
[www.globaljusticemovement.net](http://www.globaljusticemovement.net)  
[www.monetaryreform.org](http://www.monetaryreform.org)  
[www.themoneymasters.com](http://www.themoneymasters.com)

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# OUR DEBT-BASED MONEY SYSTEM WILL BREAK US:

## The Earl of Caithness speaks

*This speech was delivered by the Earl of Caithness in the House of Lords, Wednesday, 5 March, 1997. It is reprinted in full from Hansard, Vol. 578, No. 68, columns 1869-1871.*

The Earl of Caithness: My Lords, I too wish to thank my noble friend Lord Prior for initiating this debate. It comes at a most interesting time in the run-up to the general election and, as a result, we could not have envisaged the parties opposite saying anything thought-provoking or interesting about the economy. We were not disappointed.

Looking at it from a conventional viewpoint, the economy is in good shape and the Government have done better than most of their counterparts in Europe. We have moved out of recession and on the surface the economy is stronger and people are more confident. There is much that I could say about that. I think the Government have done a very good job.

However, it is also a good time to stand back, to reassess whether our economy is soundly based. I would contest that it is not, not for the reason to which the noble Lord, Lord Eatwell, alluded, which is that it is the Government's fault, but our whole monetary system is utterly dishonest, as it is debt-based. "Dishonest" is a strong word, but a system which by its very actions causes the value of money to decrease is dishonest and has within it its own seeds of destruction. We did not vote for it. It grew upon us gradually but markedly since 1971 when the commodity-based system was abandoned.

Let us look at what has happened since then. The money supply in 1971 was just under £31 billion. At the end of the third quarter of last year, it was about £665 billion. In 25 years it has grown by a staggering 2,145 per cent. Where has the money come from? Interestingly, the Government have only minted a further £20 billion in that time. It is the banks, the building societies and our commercial lenders who have created the balance of £614