

Chapter Six

Anticipating the Criticisms

Without a doubt, there will be many people who will say that this idea for a new monetary system is nonsense. All those who are benefiting from the human desperation that a shortage of money and the private tax called interest creates will surely denounce it. They stand to lose their primary mechanism of social and economic control and the intensity of their criticisms will reveal them. Examine their protests carefully. If they are merely vague generalizations, demand that the critics be more specific. Compare their arguments with those that are presented here and in the previous chapter. If they simply skirt the issues and attempt to discredit the author, return the focus of the debate back to the facts. The more inflammatory their remarks become, the more probable it is that the speaker's own vested interests are at stake. Here are a few of the most likely criticisms that you will hear.

The idea is not realistic, it could never be done!

Why not? It is certainly in the best interests of a majority of Canadians. The only thing that could prevent it from happening is people's reluctance to demand it. In a democracy do the people not have the right to direct the

government? Do those who say that it is impossible really believe that we have already lost democracy completely, or are they just unwilling to put forth the personal effort which is necessary to make democracy work? Of course it won't be easy. A very powerful elite will be totally against the idea. But throughout history, all change has come from the determination of the people to bring it about. Are we now any less capable or determined than our ancestors?

What is unrealistic is the idea that we can possibly save democracy or maintain a peaceful society without addressing the need to radically change the mechanism by which income is distributed. Tying income to human labour doesn't work in a world where computer-driven machines can produce nearly everything we need. Civil society is impossible when an interest-breeding, debt-based monetary system must continually increase the number of people on the planet who are trapped in miserable poverty so that the profits of a few can perpetually grow.

What is naive is the notion that we can ever solve the problems of poverty and unemployment or stop the destruction of our social programs, public institutions or the environment without first addressing the poisonous monetary system which is the common root cause of their disappearance. To struggle on with each as a separate issue while ignoring their underlying common cause is insane and futile. In fact, it is as crazy as if, upon noticing that your house was on fire, instead of calling the fire depart-

ment, you simply ran from room to room with a glass of water trying to save your favorite furniture. First you saw your precious couch in flames, so you began pouring water on it. But then you noticed that the dining-room table you loved was on fire too, so you ran to save it instead. Finally a neighbor arrived and pointed out to you that your problem was not that your couch and table were burning ...*but that your house was on fire!* ...and that if you were ever to save your furniture, you would first have to deal with that, the fundamental and common cause of all your other problems.

The corporations and the rich will flee the country.

This is the tired old warning we hear every time that the interests of the rich are threatened. Its purpose is to create public fear and uncertainty by predicting that great job losses will occur once the departure of wealth begins. Never a very strong argument, in this case it would be ridiculously weak. Under the new monetary system, personal income would no longer depend upon employment. Even if the rich did flee the country, all that they could take with them would be their Canadian money. They couldn't move their homes, their factories, or their land. Nor could they take their employees or the natural resources which are the true source of the wealth that they enjoy. Also, the cost of moving their equipment and machinery would be much greater than any reduction in in-

come that the new system might bring. But the currency which they took with them would remain valuable for only a year. After that it would become worthless and, being out of the country, they would no longer be entitled to receive any further national income dividends. All that they left behind, however, would still be a credit to the net asset base of the nation, and hence would add to the value of the national income dividend distributed to each and every resident Canadian citizen.

If their loyalty to Canada is too shallow to hold them here, then we should welcome their departure and bid them farewell. If you owned a store and came to work one day and saw one of your employees stealing money from your cash register, would you let that person go on stealing, fearing that if you intervened, they might quit and leave you temporarily unable to operate your store? Of course not, for you would realize that if you didn't intervene your store would soon go broke and have to close permanently. The same logic must be used to assess the threat of the flight of capital from Canada. If we don't force the rich to stop stealing the wealth of our country, then our country too will go broke before long.

The financial markets will refuse to lend us the money that we need, interest rates will soar, the Canadian dollar will fall, inflation will explode...

All these issues have been addressed in the previous

chapters. Canada won't need to borrow from the financial markets any more and there won't be any interest rates to worry about. The Canadian dollar may initially fall but, most likely, it will recover quickly and then begin to rise to record levels. Inflation will no longer have any significant effect on purchasing power, for as prices rise and fall so too will incomes.

Some people "need" more money than others.

Under our current monetary system, it is true that people with exceptional medical expenses do need more money than others. This need would disappear under the new system, however, as all medical services, drugs and devices would be provided free to every Canadian citizen. The cost of these medical benefits would be fully funded by the federal government from the portion of the total money supply that it retains each year when the national income dividend is determined.

The need of some people for more income to pay down any extraordinary education and training expenses would also disappear because all education and training would be fully financed by the provinces (through transfers from the federal government) and would be free to all Canadians.

The need to reward some people for their exceptional contributions towards increasing the asset value of a private corporation or the quality of life of the nation (or any

other significant accomplishment), could be fulfilled by issuing productivity or achievement dividends (either private or public) to any deserving individuals or organizations.

Taxes are necessary to encourage charity and investment and to discourage environmentally or socially harmful consumption.

While this may have been partially true in the past, it would no longer be true under the new system. There would be no need for charity in the new monetary system, as every Canadian citizen would have ample income to acquire all of the necessities of life. The need for investment capital would be eliminated as businesses wishing to expand could use their additional operating margins to make interest-free instalment payments to their suppliers. Their cash flows determine their ability to borrow now, so under the new system nothing much would really change.

By providing all citizens with enough income to enable them to make responsible decisions concerning the environment, the new system will be far more effective at influencing consumption than the present one. Currently, many people are forced by a lack of money to choose whatever products are the cheapest. Often, these products have been produced in areas of the globe where pollution controls are the weakest and have been transported over great

distances using fossil fuels. As much as some consumers would rather buy locally-produced, alternative goods, their higher prices prevent them from doing so. Under the new system, consumers will have sufficient income to exercise their preferences without any adverse economic effects. In fact, shopping locally will increase the economic infrastructure of the nation, thereby increasing the country's net asset value and the value of the national income dividend.

The effect of the new system will be to reward consumers financially for making responsible purchase decisions rather than penalizing them, through the tax system, for being forced by a lack of income to make environmentally irresponsible decisions.

Too many people are lazy and will do nothing.

This statement always reminds me of an incident that I witnessed as a child. The father of a friend of mine came and stood in front of us while we were sitting on the couch watching television. He told his son to stand up and when he obeyed, his father hit him in the head, knocking him back down onto the couch. His father then again ordered him to "Get Up", this time louder than the first. When my friend again obeyed his father he got another punch in the head and fell back into the couch. The third time his father shouted "Get Up", my friend, now with tears in his eyes, cried "No". At this, his father said "See I told you

that you are lazy and will never amount to anything!”

This unfortunate incident is similar in nature to what our present monetary system does to many people. Initially they believe in it and try to follow the rules that it outlines for them. When, for whatever reason, they fail to be successful, they are driven back down into poverty. When they try again to get back up and are knocked down once more, their attitude towards the system begins to change. Finally they realize that trying to get up is only going to hurt them again and they lose their respect for the system. Once they give up trying, however, some pathetic father-figure comes along and says that they are lazy and will never amount to anything!

It is all too easy to ignore the problem by blaming the victim. This shallow reasoning leads to generalizations which confuse the symptoms of oppression with “human nature”. It is reasonable to expect that most people, if given a fair opportunity to improve the quality of their lives by their own initiative would willingly work very hard to do so. Our current monetary system, however, does the opposite. Taxation, interest charges and expensive property rates create enormous barriers for most people. It is a testament to the incredible will and determination of the human spirit that, despite our financial system, many people do still manage to “get ahead”.

The new system provides everyone with an equal opportunity to explore and develop their own maximum

potential. It extends the collective value of society by enabling all to contribute their natural talents, interests and energies to the fullest. It is extremely doubtful that, under such conditions, any more than just a few would choose to do nothing.

People will have children just to get more money.

Like the previous statement, this one is based entirely on uninformed generalizations about “human nature” which ignore the real causes of certain perceived behaviors or relationships. Even if it were true that some people abuse the generosity of the present welfare system and deliberately choose to have more children in order to increase their monthly income (which is doubtful), it does not necessarily follow that they would continue on with that behavior under the new monetary system. In the new system, the level of income that every citizen would enjoy would be so much greater than the current income of welfare recipients (even if they have a dozen children) that the drive for more income to dispel their poverty would disappear. No longer financially desperate, the additional cost and emotional strain of living with more children would likely seem much greater than the extra financial benefit derived from having a larger family.

The national income dividend would be calculated by dividing the nation’s net asset value by the total population. If the population increased in size, then everyone’s

individual income would go down. Accordingly, it is likely that considerable social pressure would develop to encourage the moderation of family sizes. As well, the amount of the national income dividend could be staggered according to the age of the recipient, so that as a child matured the value of the income dividend that its parents received did too. Assuming that a child became an adult at the age of 21, the value of the national income dividend for children could be increased annually in equal increments over the twenty-one year period from birth to adulthood. At birth, the financial premium to the parents would only be one-twenty-first of the value of a full adult income dividend. This would hardly be enough to induce any family to seriously consider having more children simply to increase their family income.

No one will want to do any of the difficult, dangerous or unpleasant jobs.

While it is true that financial desperation would no longer be able to force anyone into doing a difficult, dangerous or unpleasant job, it is highly unlikely that no one would be willing to do any of these jobs. Special income dividends or other “perks” could be provided for many of the least desirable jobs in society. Shorter expected working schedules and more time-off could be considered. Under the new system, it is quite conceivable that someone doing low-skilled but undesirable tasks would receive more

annual income than a person doing highly-skilled but relatively pleasant work. Much of the work that is poorly paid under the current system would become much more bearable or attractive to many of the people who are doing it now, once the national income dividend was in place. It is not unreasonable to expect that many workers would continue on with their present working arrangements, simply more contented by the improvement in their incomes.

Most likely, there would be considerable peer pressure on people to continue working productively. Anyone choosing not to contribute to society would face severe social disapproval, for all of the obstacles which, in the past, may have justified a person's inaction would now be gone. Employment opportunities would continue to be advertised in the media, so that suitable contribution sites could be easily located.

Under the new monetary system, people would continue to act in their own best interests. Vanity and the desire for prestige and power would still be prime personal motivators. Status, however, would no longer be so closely associated with income, as all Canadians would enjoy a relative abundance of money. Certain occupations and positions would be more difficult than others to fill, and accordingly, a higher status would be earned by those who were willing and able to supply the labour needed to perform such socially important tasks. Shorter working hours, longer vacations, earlier retirements, and numer-

ous financial or other material “perks” could be offered as inducements to attract and keep the necessary workers. The law of supply and demand would continue to govern the marketplace, but it would be the supply and demand for labour, rather than for capital, that would have the greatest influence on the price and the availability of most goods and services. What more equitable way could there be, however, for distributing power and influence evenly among the population, since every individual has approximately the same number of potential labour hours to negotiate with during their lifetime?

*Refugees and immigrants will flood into Canada.
(don't laugh, I can hear the Reform Party now)*

Of course this is a ridiculous statement, but I bet that won't stop you from hearing it said. Changing the monetary system to improve the quality of life of most Canadians would not necessitate changes in our immigration policies in any way whatsoever. They are two completely separate issues.

The only way that we can improve our standard of living is to make the total economic pie bigger.

This misleading economic half-truth is probably one of the most widely-circulated myths today. The idea behind it is that society only needs to become more productive and profitable, then we will all be able to enjoy a bet-

ter standard of living. While this clever little notion may seem to make sense, it completely ignores the issue of just how evenly those increased productivity gains or profits might be distributed. If a company's workers do not receive the same proportion of the additional earnings as the firm's management or shareholders, relative to the total value of the company's output, then the workers end up with less purchasing power while management receives more. If this uneven distribution occurs throughout our entire society, then collectively labour loses purchasing power while management receives more.

For all of the goods that the factory produced to be sold, workers would have to borrow more money in order to buy the extra goods (most likely the number of managers and shareholders is too small to create a demand for the extra production). Once workers start borrowing to maintain their standard of living, however, interest payments begin to rob them of their purchasing power. This further reduces their ability to buy the extra goods that their factory produces. If the extra goods are not sold, then production levels are cut back and some workers are laid off. As people lose their jobs, the demand for goods weakens further and more lay offs must occur.

This is the trap that the "bigger pie" theory ignores. If the gap between the value of the goods offered and the financial ability of the workers, as consumers, to buy them grows, then either the goods won't all sell or else the in-

creased interest costs accumulating in the economy will reduce demand. In either case, a lack of consumer demand will eventually bring the economy down. Only when workers receive a bigger share of the productivity gains than management, does the “bigger pie” idea really work and this, of course, is not what most management types are suggesting when they talk about the pie. What management would really like you to believe is that if workers would only allow their incomes to be squeezed so that management could enjoy a productivity gain at labour’s expense, then the world would be a better place. Under the new system, all productivity gains would be distributed equally to each citizen, using the national income dividend.

This new system would be “Communism”.

Actually, the new system would be the total opposite of Communism. There would be no centralized bureaucracy controlling the lives of the people. By freeing us from the iron grip of finance, the new system would be far more democratic than the one we now have. The public would be able to *live democracy*, rather than merely participating in a shallow imitation of it every four or five years or so. Citizens would *vote every day* with their purchases and their labour contributions, rather than merely choosing periodically which political actor is the least offensive to them. Average citizens would have a much better chance

of achieving private ownership than they do today in a world where wealth is so concentrated that most are forced to rent or lease even the basic necessities of life (like shelter, transportation and, more and more, even education). The new system would replace a nearly completed economic dictatorship with a fresh and vital economic democracy. It would liberate the mind and free the spirit so that true democracy could flourish and soar to even greater heights.