

## **MONETARY REFORM INITIATIVES** proposed by Gian Andreone

My monetary reform initiatives are based on a non ideological and historical study of the economic, monetary and political systems. The objective is to centralise and devolve power and resources, where appropriate. Both proposals require a paradigm shift; namely education of the people to make them work.

### A) "The People's Currency System":

This initiative comes from free market capitalist ideology i.e. "Free Market Currency". It can work for the people, as follows: • Abolish the legal tender laws; • Retain the national currency; • National Referendum and Vote; • Five most popular alternative currencies circulate in parallel with the national currency; • Strong anti-counterfeiting laws. A working example is Zimbabwe where the people rejected the hyper-inflated Zimbabwe Dollar and have chosen to use the U.S. Dollar, South African Rand and Botswana Pula.

#### Advantages

- A check and balance against gross mismanagement;
- Decentralises and devolves the power to issue currency towards the people;
- People are educated about the monetary system.

#### Disadvantages

- Requires education;
- Vested Interests may object;
- Administratively complex. (?)

#### Explanation:

- The people must be educated for this initiative to work.
- Citizenship Studies (Mandatory).
- Starting from secondary school, through sixth form (module?) and university (module?).
- For everyone else, adult education class with an exam.

### B) "The People's Banking System"

This initiative comes from free market capitalist ideology i.e. "Free Banking".

It can work for the people, as follows:

- Reduce Deposit Insurance from £75,000 to Average Earnings, currently £26,156; (The present Deposit Insurance Scheme is a disguised state subsidy to unsound banking practices)
- Launch a range of banking institutions - public, mutual and private ownership, with varying levels of reserves;
- Strong legal and regulatory framework;
- Three types of banking, defined by reserve backing: "Custodial" banking (75% to 100% reserve banking); "Retail" banking (minimum 20% reserve banking); and Speculative banking (minimum 50% reserve). (The separation of banking activities into three types is the modern equivalent of the US Banking Act 1933 aka Glass-Steagall)
- Any speculative banking activity (i.e. Proprietary Trading) is undertaken as Regulated Onshore Hedge Funds. These funds attract a "Tobin Tax" (or equivalent) to deter undesirable activity e.g. High Frequency Trading.
- Regulated Onshore Hedge Funds are outside the scope of Deposit Insurance Scheme.

Advantages

- A check and balance against unsound banking practices;
- Empowers the people to decide what (if any) fractional reserving they want with their deposits;
- A more diversified and safer banking system that supports the economy;
- People are educated about the banking system.

Disadvantages

- Requires education;
- Vested Interests may object;
- Separation of speculative banking from retail banking is complex;
- Existing Banking System may require funding to increase reserves to proposed reserve backing.

Explanation:

- The people must be educated for this initiative to work.
- Citizenship Studies (Mandatory).
- Starting from secondary school, through sixth form (module?) and university (module?).
- For everyone else, adult education class with an exam.