

Article for Electric Scotland April 2021

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This piece relates to Article 8 of the current online consultation – www.ConstitutionforScotland.scot.

The Model Constitution has already received its first comments and proposed amendments and these are beginning to record early votes. Yes, everyone – including the Scottish diaspora, can vote securely once registered, however all that is to be seen if you visit the website..

I would like to tell you about Article 8 because it breaks new ground for a Constitution – it describes how the government should steer the economy to benefit the people rather than just make a pile of money for the fortunate few. It has a peculiar Scottish flavour because it takes the unfashionable idea that a small country can adopt ethical standards for business and finance and still prosper and relate effectively to a world driven by financial elites, mega cartels and accommodating governments.

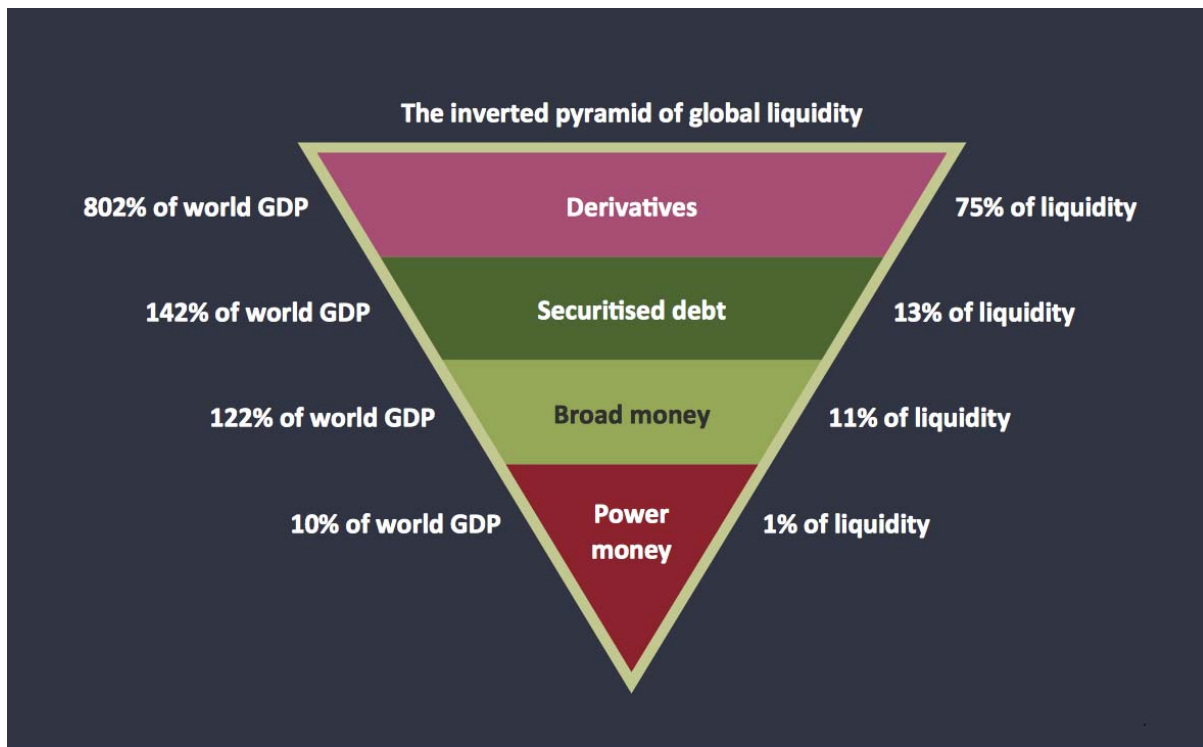
It all started when folk came up with ideas about how an independent Scotland could be “different” if it decided to step outside the UK. No shortage of ideas, some good and some pie in the sky, but always there was the doom & gloom observers – “Aye, that’s all very well, but where’s the money to come from?” Yes, we’ve all heard that before.

However, someone had already started to work on that question and had actually written a book on it. Not surprisingly it’s about banks and Treasuries which for most of us stops and starts with our bank accounts and credit cards, but if you really want Scotland to be different, then we all need to know just enough about it to vote for change.

Today the money system is designed to favour the already rich and powerful – they use money to make more money. We need to use the system to incentivise responsible behaviour like productive employment, better conditions, fighting climate change – in short money should reward good personal and community building activity. If you believe this is possible then vote to write it into the Constitution and don’t leave it to the politicians! This is the gist of an ethical currency

The present Banking system has become inherently unstable. Central banks and Regulators strive to induce stability, but regular ‘financial crises’ have become the norm. Banks originally designed and chartered to provide short term credit to commerce and consumers have now become a virtual global cartel having absorbed the productive long term credit business of domestic and commercial mortgages. The integration of short and long term credit has distorted investment returns and asset values; the secondary marketing of mortgages as C.L.O.s was the trigger of the last collapse; bank credit is funding financial markets which would be more appropriately regulated in terms of the Gaming Act. Profiting from manipulating credit guaranteed by the State is widely perceived as a ‘respectable’ business to be bailed out as and when required by the same taxpayers it has just defrauded.

The volume of financial trading in futures and derivatives exceeds world GDP – all to enrich an elite few at the cost of everyone else. This is not enterprise in a free market – it is ruthless exploitation of the monetary system.



<https://www.conceptdraw.com/examples/inverted-pyramid-diagram>

This is illustrated by the graphic. We can continue the impossible task of supporting this growing structure of Debt with ever more guy ropes of regulation, or make a few simple changes to the banking system which would starve these parasites of their life supporting credit and re-direct the money system to its legitimate role of serving society as a whole.

The proposal is simply to remove direct credit creation from the banks in favour of making it an exclusive privilege of the State and the Central Bank. Commercial banks would revert to being intermediaries dealing with loanable funds sourced from the Central Bank and the investing public under a clear mandate or charter. This would preclude banks from trading most so called financial products – currently facilitated by interbank lending; money laundering would cease or at least become a manageable crime. The creation of the National Credit would now be automatically accountable to the Central Bank, and available only in accordance with the directives of Parliament.

Banks would no longer offer mortgages and resell them to pension funds through several layers of CLO markets. Instead pension funds would interact directly with a new generation of Building Societies operating under new protective regulation and updated rules governing the relationship between members and management. Similar rules would govern how small shareholders are represented in large public companies. Homes would cease being financial chips in a casino and become the solid security for pensions.

Critics suggest this would cripple the financial services industry. It would cripple only the targeted sectors and strengthen those which serve the public interest. Prior to neo-liberalisation Scotland enjoyed a worldwide reputation for canny and effective financial institutions. They can once again be an integral part of the community rather than its financial tyrant.

Finally a word about that erstwhile enviable record. It was built in the first half of the nineteenth century, mainly upon Mutual institutions founded for the benefit of their members, families and

dependents. To name but a few - Standard Life, Europe's biggest mutual company; Scottish Widows, Scotland's first mutual life assurance institution; Scottish Equitable; Scottish Provident, Scottish Amicable; Scottish Mutual; Scottish Life.... , The Scottish Building Society (1848) is the oldest surviving building society in the world; in 1810 the first savings bank in Europe opened in Dumfries and the idea spread quickly over the UK and then to America.

This reputation was built upon a balance of astute financial management and the highest ethical standards. They fell victim to a more predatory financial business model encouraged by an unrepresentative government. Both were driven by greed, ruthless self-interest and totally bereft of any responsibility towards their hosting community.

These institutions reflected the moral character of Scotland. They can be replaced, but only under the auspices of a government prepared to regard financial predators as a potentially destructive force. To this end the Constitution should enshrine clear ethical standards of financial conduct. That starts with the National Currency, the Central Bank and Monetary Policy. Only then does that work its way through to taxation, banking and financial services regulation.

That's it in a nutshell. Every one of us has a part to play in changing Scotland. Start by voting for ethical standards in Article 8 of your Constitution and then choose Independence.

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