PositiveMoneyNZ

Newsletter #62 – Refresh of our fliers and an overview of our solution.

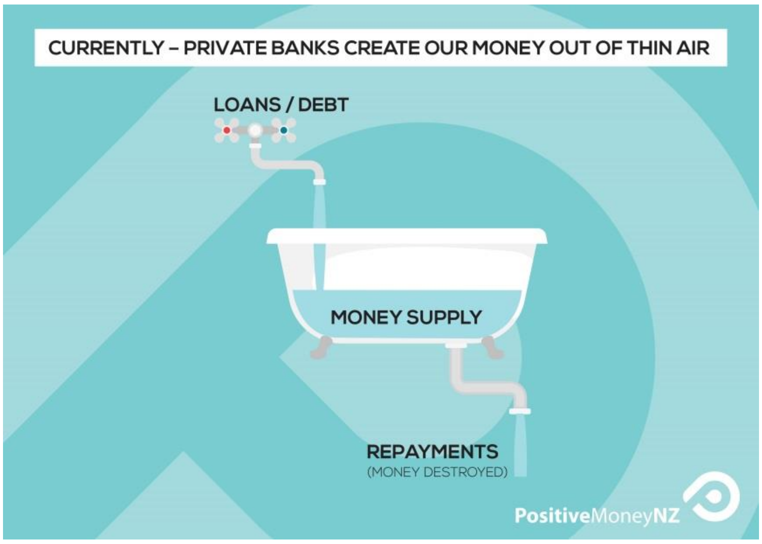
Welcome to our 62nd newsletter. Here is a link to previous newsletters.

We refreshed of our fliers and here are the latest:

- Our standard A4 flier has had reference to Fractional Reserve Banking replaced with Risk Weighted Lending, as this is now the accepted term for "Creating money out of thin air". Let us know if you would like some to hand out.
- We created a new flier with an attention grabbing $100 note on the front and a list of promises on the back.

We also created a couple of graphics that help explain how the Positive Money system would work.

The first shows our current system with money being introduced into our money supply in the form of loans/debt.



Once the loan is repaid that money is destroyed. It was created from nothing so it must return to nothing. This is shown by money going down the drain. For our economy to grow more people must take on debt than pay it off.

When confidence in the economy lowers people are reluctant to take on new loans and more people repay their loans, thereby reducing the money supply and creating a recession.

When confidence picks up, more people take on new loans than repay them and we have a temporary boom.

Under the Positive Money solution, money would be introduced into the economy debt free by the Reserve Bank to finance infrastructure projects such as roads, affordable housing (like we did in the 1930's) hospitals and schools. We call that money "Sovereign money".

> The Positive Money solution would put the plug in the bath as the Sovereign money would be backed by the Government. The money would stay in circulation and our economy would grow organically as more money was introduced.
>
> There would still be a place for banks. They would only be able to lend out the money they had on deposit, thereby putting the break on rising house prices.
>
> New Zealand would move from a low wage boom and bust economy to a high wage steady state economy. There would be additional tax money generated and that money could be used by the Right to pay down the National Debt or reduce taxes, and by the Left for social spending.

It is a very elegant answer to the problems that beset New Zealand. A similar solution was endorsed by a [2012 IMF working paper]. Here is a quote straight from the abstract of the paper:

> the benefits would be: dramatically reduced public and private (net) debt levels (because money creation no longer requires simultaneous debt creation), better control of business cycle fluctuations, complete elimination of bank runs, output gains of 10% and inflation can drop to zero without posing problems for the conduct of monetary policy.

Positive Money New Zealand had a very successful stall at the Whakatane Business and Leisure Show over two and a half days. We engaged with at least 50 people a day and had to go home several times for more handouts.

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Cheers

Don Richards and Sue Hamill