

Renegade Economics

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“People are angry but not angry enough” Ross Ashcroft and Megan Campbell set themselves to get a new understanding of economics to a young audience. They are convinced that internet and the moving image are the ways to do it and their latest film **Four Horsemen** dramatically joins edited 'talking head' interviews like 'Inside Job' with narrated explanatory animated sequences like 'Money is Debt'. At times the two mix, with the interview becoming the narration and the animated graphics illustrating what the interviewee is saying. A powerful combination.

Prior to the current project they conducted dozens of interviews published on YouTube under the **Renegade Economist** brand and proceeded to make a number of short films. Ross embarked on the project working most notably with veteran author and campaigner Fred Harrison and Henry George's idea of capturing for public purposes surplus value at prime sites. Latterly their focus seems to be on other things; direct democracy, employee ownership and banking reform.

YouTube metrics

They are interested in the 'metrics' behind each YouTube piece that show whether it generates interest, if viewers who start watching finish, what they move onto next or where they are 'turning off'.

Rent: a turn-off

Ross remains convinced of the importance of land. Botswana he says retained common rights in land and therefore much of the profit from diamond mining. Consequently child mortality reduced and GDP/capita is 4-5 times higher than its neighbours. But he says you have to meet people where they are. They are interested in inter-generational equity and house prices. They switch off if you talk about African aid, Henry George, Rent or Land Value Tax. He also reckons they switch off if you adopt the prophetic hectoring style not uncommon among Georgists. Who would not get frustrated at carrying the candle for so long with so little progress? But perhaps it may also be in the tone of Henry George himself. Or an inherent hazard for anyone who believes he has Natural Law on his side.

Positive Money

Ross and Megan's primary influence now seems to be Positive Money and its 26-year-old founder Ben Dyson. He has made an impressive impact in 18 months. One of the policies is to allow depositors a say in how banks invest their money or even restrict their account to be just 'a safety deposit box'.

Since Big Bang and the repeal of the Glass Steagal Act, banks have been able to combine high street deposits and mortgages with speculative market activities, the 'casino'. Over the years the market operations have been extremely profitable for banks but they were also supposed to serve the 'real economy' in two ways, moving cash to where it was needed and spreading risk. After the bust in 2008 we discovered that the derivatives designed to spread risk had increased the riskiness of the whole system. The film 'Inside Job' and Gillian Tet's book 'Fool's Gold' claim that leading bankers and economists knew it but said otherwise.

Ross and Megan's film goes further arguing that banks' market operations create inflation. As 97.4% of the money supply is digitally created by banks as interest-bearing debt so it will have that effect if 'invested' in existing assets such as land. But because banks are 'upstream' at the source or creation of new money, their market operations use the new money before it has had its inflationary effect. That occurs further 'downstream' where the man on the street wants to buy a house. There is no doubt that free credit for mortgages has been the proximate agent for driving up house prices in the UK – or more accurately land prices. Effectively banks are causing homes to become expensive and thus consumers to take on more debt but are indifferent to price as they simply collect a percentage. To the same end they are scouring the world for places to stash more debt. Families, firms, states, almost everyone is in debt. Because banks decide who gets loans and what for, society is shaped by their profit-motive. Positive Money reckon fixing the banks would fix poverty, debt, inequality, environment and reduce tax or fund better public services. Ultimately the privatisation of the power to create money should be reversed. New money should be created by the Bank of England and 'spent into the economy'.

At least in part, Positive Money follow C20th monetarist Irving Fisher. Biographies dub Fisher a leading neoclassical economist of his day and founder of Monetarism. In 1929, 3 days before the Wall Street Crash, Fisher claimed the stock market had reached “a permanently high plateau” and continued for many weeks to predict swift recovery. Subsequently he wrote his debt-deflation theory that crisis is caused by the bursting of a credit bubble. It seems to describe in 9 points only what happens after the bubble has burst but presumably can be supplemented by H Minsky's 'Financial Instability Hypothesis' on how they form.



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Bankers bonuses

Ross advocates bankers having more of a stake in the investments they make e.g. by bonuses having a 10 year maturity or by employees owning shares and reviewing risk. If John Lewis started a bank, he said, he would sign up like a shot.

Pay ratios

John Pierpoint Morgan recommended a ratio of 1:20 between the highest and lowest paid in a firm. At his bank today it is 1:750. Terry Leahy CEO of Tesco gets 900x his employees' average salary. All of which excludes the contracted-in cleaners.

Venture capital

When venture capitalists acquire a firm they do a minimal amount of problem solving in the way the firm is structured or operates but what they mostly do is load it up with a lot of debt – the price in fact of its own purchase – that it will have to pay off over the next ten years. The creative work of the firm is an engine for creating real value. The debt makes it have to work harder to break even and transfers that value to the creditor.

Direct democracy

What would be the issues and effects of more direct democracy? Cameron's first major rebellion was on the referendum on EU membership, a debate sparked by a petition of 100,000 signatures. E-petitions that reach that number also get a debate. Top e-petitions on direct.gov.uk are:
#1 Rioters should lose benefits (240k)
#2 Hillsborough disclosure (140k)
#3 Cheaper petrol (105k)
#4 Financial education in schools (86k)
Much further down the list ae:
1:10 ratio voluntary code (6)
Maximum wage (18)
There are countless on bankers' bonuses and MP's or public sector pay and plenty on landlord and tenant but only one on economic rent! LVT shift (253)

Surely these fearful economic times provide the only conditions in which serious reforms could be contemplated; reforms that would disrupt the status quo in the direction of freedom and justice. But without some level of popular awareness even informed and well-disposed politicians can do very little.