Synopsis

This dissertation is primarily concerned with the construction industries continuing efforts to finance its operations, and the struggle for quality, which is inhibited by problems of time and money.

The construction industry personnel (as taxpayers) and taxpayers generally are entitled to the best value for money they can expect. As nothing can be built without resources, finance is a resource essential to construction operations. (any given project).

A critical review of the literature revealed a pressure banks had put onto firms, one of the many facing construction and property companies and investors. The critique also revealed a long running problem facing construction and property companies, namely the ownership of a final product and the ownership of the finance for a project.

Initial reading revealed a difference between public and private property, companies and finance, and the changing nature these opposing philosophies have undergone over the last thirty years especially.

From a review of the literature a questionnaire was devised to examine, what if anything the construction companies, property developers, investors and banks and lending institutions thought of these conflicts. Payment, cash flow and risk were a invisible part of the questionnaires simple structure. Since payment or money can be the major instigator of

activity, posing a question which asked if money was given without a major source of pressure (i.e. interest) attached, would this be favourably received. Obviously both borrower and lender would need to contribute.

As the literature review revealed that this type of financing (debt free) already exists, through government, then the questionnaire also posed a question, regarding a special purpose vehicle (spv) to deliver that source of finance.

If this was a feasible proposal, then building a list of objectives as to why it cannot be a practicable solution would also be needed. The respondents themselves would bring objections, as would similar ideas from economic theory and practice through history

Of the 261 questionnaires returned 82.4% said they thought interest free would be a good idea, and surprisingly 35.08% of the returned questionnaires said they would wish to raise the matter of a new procurement model. Raise the matter as opposed to just to just thinking it was a good idea.

This last point would also help identify why interest free credit is not currently offered.

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1.0 Introduction (rationale)

1.1 The problem in Micro and Macro

Would debt free loans to the construction industry, benefit the construction industry? would the construction industry prefer them ?, and why are they not offered ?

(Is there an alternative method to the finance infrastructure?)

A contemporary key risk in procurement PFI/PPP is credit. "The organisations involved must be reputable to raise the funds needed for each development. If such organisations are not credit worthy, project financing may be curtailed" "When debtors fail to fulfil their contractual obligations, the interest and principal sum on their loans are not paid within the agreed time".

Akintola et al

A firm can feel they are working for the banks and not the shareholders.

Building Magazine (12/11/2004)

The link between credits as loans with interest is an everyday experience for most people. The idea that loans could exist without interest, still as credit, and not to an agreed timescale is very hard to imagine.

People who do receive interest free credit for a period of 3 years to buy a sofa at £1000, may well pay off the loan, before the 3 years is over. The item purchased under this agreement is then theirs and was purchased at £1000 and not any higher. These offers are everywhere.

Apply this to purchasing a car, or a house under the same logic, or a hospital under a procurement project in construction and it will seem less likely.

Over the last few years the relationship of credit and debt is becoming more of a news item and appears more and more as a major source of worry for many people.

Banking reform 1, thesis

“The rapid growth of personal debt could threaten the UK's financial stability, the Bank of England has warned. The bank said it was particularly worried about the amount of unsecured debt, such as credit cards”.

"The continuing rapid build-up of debt by many borrowers... may be building up vulnerabilities," its twice-yearly Financial Stability Review said.

“The amount of money owed by UK consumers broke through the symbolic £1 trillion in July 2004”

http://news.bbc.co.uk/1/hi/business/4091763.stm

The figures show that higher interest rates have left many people struggling to repay their debts, according to the government's Insolvency Service.

People who have signed up to seductive credit deals are also vulnerable to sudden changes in personal circumstances, such as accidents or loss of unemployment, it said.

"The two things linked together imply the numbers are more likely to go up than come down," said Desmond Flynn, inspector general of the Insolvency Service.

The number of individuals declared bankrupt rose to 9,156 in the third quarter, up 4% on the quarter, and 28.8% on the same period in 2003.

The Bank of England has raised the cost of borrowing five times to 4.75% in an effort to dampen consumer spending.

The figures, from the Department of Trade & Industry (DTI) also showed that 2,811 people took out Individual Voluntary Agreements (IVAs) over the quarter.

http://news.bbc.co.uk/1/hi/business/3985823.stm

As individuals struggle to pay their debts the interest payments only add to the burden.

The same logic applies to construction companies.

Banking reform 1, thesis

Personal debts, Mortgage's, Hospital Authorities, Local Authorities, Governments, and even entire Continents (2nd and 3rd Worlds) going into debt all seem to be hitting the headlines.

The United Nations has designated 2005 as the "International Year of Microcredit"

"Micro-entrepreneurs Ring in the Year by Opening Stock Exchanges around the World

18 November 2004 — The United Nations launches the International Year of Microcredit today in an effort to build support for making financial services more accessible to poor and low-income people. It will aim to raise public awareness about micro credit and micro finance, and promote innovative partnerships among governments, donors, international organizations, non-governmental organizations, the private sector, academia and micro finance clients."

http://www.uncdf.org/english/news_and_events/newsfiles/20041118_yom.php

There is also concern at debt levels around the world most notably expressed by Oxfam.

"Rich nations need to do much more to overcome global poverty, the aid agency Oxfam says in a report. Oxfam also says that that poor countries are paying back $100m a day in debt repayments. It also claims that aid is being used as a political tool, with some nations making combating terrorism an explicit aim of their aid programmes. "As rich countries get richer, they're giving less and less. This is a scandal that must stop," Oxfam director Barbara Stocking said"

http://news.bbc.co.uk/2/hi/europe/4071043.stm

This has some extent being taken up by the government in Britain.

"Mr brown will hope that the "G7" countries will also follow suit (Germany, the US and Japan included.)

Banking reform 1, thesis

Peter Hardstaff, of the World Development Movement, welcomed the news but said Mr Brown should go further.

He said: "Most importantly he must drop the free market measures imposed as a condition of debt relief on developing countries".

http://news.bbc.co.uk/1/hi/uk_politics/3692414.stm

This has been formulated into the Marshall plan, which does not only include plans for Africa, and will involve the G7, IMF, the World Bank and the Paris Club.

2005 is also the year in which there is a final chance to half the worlds poverty by 2015 and

Figure 1.1 **Make Poverty History**

The gap between the worlds's rich and poor has never been wider. Malnutrition, AIDS, conflict and illiteracy are a daily reality for millions.

But it isn't chance or bad luck that keeps people trapped in bitter, unrelenting poverty. It's man-made factors like a glaringly unjust global trade system, a debt burden so great that it suffocates any chance of recovery and insufficient and ineffective aid .

http://www.makepovertyhistory.org/

Clearly there is a link between poverty/financial loans and debt in all of these institutions, but understanding finance, even for everyday contractors or even Professors of economics is not always apparent.

To measure growing concerns from the public, a Cambridge Professor of Economics was given the task to solve the mathematical formula behind credit card statements (109 million combined credit and debit cards and statements monthly), as the formula for working out the interest is so long and complicated. Working in silence and contemplation in what is an artificial environment "model", he concluded that the formula was too complicated and it had taken him “all afternoon” to solve the mathematical enigma.

B.B.C.1 6.00PM National news 30/7/2002.

A total interest free loan (without strings or a catch however well intended) is possible, and would only carry an administrative charge, similar to that charged by banks (Zero or £250 - £300) to activate a mortgage and is relatively simple and can be applied anywhere in the world.

1.2 Research Goals

The aim of this research dissertation

1.To discover if the construction industry, believes debt free loans would benefit the construction industry (as any other),and if the construction industry would prefer them.

2.To discover if interest free loans are possible, and why they are not offered.

3. To theoretically see if a new procurement model is achievable and desirable under the above criteria.

The objectives of this research dissertation are

The aims above will be achieved by 1).comparing the historical cases for against the idea of how or what money should do and what it actually is.

This will be then compared to 2). what the construction industry itself thinks on the subject now.

3).Finally to discover if interest free loans are actually possible will also involve collecting direct information from banking institutions.

1.3 Research Methodology Outline.

My main aim of my research is to establish, if the construction industry would prefer interest free loans, and if a new procurement model can be achieved, with this criteria as a finance method. It is also to see what is preventing this however broad.

The questionnaire method will be employed as it represents a good method of reaching a large number of subjects in a relatively short period of time. **Naoum (2004)**

Questionnaires issued to collect data will also raise awareness within the construction and banking industry of interest free loans. **Naoum (2004)**

<u>Banking reform 1, thesis</u>

I have decided that the best method to collect data is both quantitative and qualitative. Quantitative data is the best method to establish the answers to simpler questions; whilst the qualitative data will raise issue's surrounding the basic problem those simpler questions pose.

"Qualititative studies are more likely to support open-ended questions"

Rudest an and Newton (2001)

but

"Qualatitative designs typically are not intended to prove or test a theory, and it is more likely that the theory will emerge once the data are collected. (An inductive approach rather than a traditional deductive approach). This does not mean, however, that the researcher can ignore the theoretical perspectives of previous works cited in the literature review"

Rudestan and Newton (2001)

Collecting data by post via questionnaire will therefore involve both banking and construction institutions. This will provide quantitative and qualitative data from both lender and borrower, as the questionnaire allows.

"In our experience, a combination of quantitative and qualitative methodologies is often a good choice of method. This approach combines the rigor and precession of experimental (or quasi-experimental) designs and quantitative data with the depth of understanding of qualitative methods and data."

Rudestan and Newton (2001)

The nature of the data once collected hopefully will be

1. Quantitative (Hard and reliable) 2. Qualitative (Rich and deep)

Naoum.(2004)

Further and in order to increase accuracy within the questionnaires, a large sample of institutions would be required. As the questions are very simple a high response in a particular direction would be more accurate than taking a sample from a smaller amount and calculating an average.

Naoum (2004)

This would of course depend on the amount of returned questionnaires, a low figure, being itself only a representative sample. Naoum and my supervising dissertation lecturer Dr Steven Allen suggest supplementing them with interviews. As my questionnaires will be qualitative and quantitative it will be a decision, which the returned questionnaires will determine.

To obtain results in a short period of time, four weeks is suggested as being average for sending and receiving returned questionnaires Naoum.(2004)

Naoum suggests there are five limitations to the survey questionnaire 1) must contain simple questions; 2) Inflexible technique. However the questionnaires will allow for a wider opinion from the subject answering the question 3) Accuracy; questions have a repetitive nature and some questions double up, this way a conditioned responses easier to detect. 4) No control over respondents;
5) Industry fatigue; a one page survey for both quantitative and qualitative response, should help to overcome these concerns. Alternatively my covering letter and the space allowed for personal (or company policy) thoughts invite a qualitative response of any length or form.

With the survey and the qualitative replies along side the hard data, case studies will allow for further analysis of the subject matter. Naoam.(2004)

Once the questionnaires have been returned they will be presented in the dissertation with an index to allow the reader to view the responses .The reader will also be able to read the qualitative responses in the questionnaires. Both quantitative and qualitative analysis will also take place within the chapter on research methodology

1.4 Dissertation contents.

Chapter 1 INTRODUCTION will contain the rationale behind the research. Also included are the aim and objectives of this research. It also discusses the reasoning for choosing the methodology for data collection and how this will be utilised once collected.

Chapter 2. LITERATURE REVIEW will examine the historical evolution of money and examine how our financial system came to be as opposed to any other. It will also examine the mechanics of the current system. As the historical and theoretical thoughts on money, credit and finance also echo the qualitative responses of the questionnaires data; a data analysis of a qualitative material is placed within this chapter. This links into the DATA ANALYSIS chapter, and in effect the research becomes circular.

Chapter 3. RESEARCH METHODOLOGY Discusses the reasoning and justification for choosing a survey based technique employing quantitative and qualitative questions and invitations to respond. It also briefly discusses the possibilities of alternative approaches.

Chapter 4. DATA ANALYSIS. This chapter examines the individual responses of each questionnaire; the hard facts collected and present a pictorial view of the collective data. It also examines a selection of the qualitative data, which with the LITERATURE REVIEW, also links to form the next chapter SUMMARY AND CONCLUSIONS.

Chapter 5 SUMMARY AND CONCLUSIONS. Summarises the findings of chapter 4, and presents conclusions based upon the overall set objectives and the overall aim.

2.0 Literature review

2.1 Outline of Chapter

The aims of the literature review, were to establish

1.The history and philosophy of money.(as far as it possible to ascertain)

2.The reasoning behind why certain finance methods were chosen

3.Alternatives and whether they would be preferred if they could indeed be offered.

2.2 Methodology.

In the first instance 3 or 4 histories of economics and money, from differing viewpoints were read. Secondly a key word search into the search engine "Google", and also "Bookfinders.com" were employed.

Further research was carried out on the subscription website belonging to DTZ international, which employs nearly two hundred researchers worldwide producing reports and digests. DTZ also provide a site map with links into every government department, including HM treasury, land registry, DTI, ONS, OPDM.(etc).DTZ are property specialists.

This does not exhaust the amount of websites employed, which also include the London school of economics. Salford University library also provided valuable assistance with its search engines, including ZETOC. Salford's electronic journals, especially the estates gazettes led to tracing the original source of their information. Beyond these instruments are Journals such as Building, Architects Journal and the Economist. A point is reached, when researchers are quoting each other. I kept a written and mental record of the searches.

2.3 Literature review

In April 2005;

"Consumers have welcomed a report from MPs that the principle of free access to money must be protected as a 'major milestone'.

MPs threw down the gauntlet to the banks and cash-machine operators as the Treasury Select Committee warned there would be important public policy concerns if free access to cash withdrawal declined.

Banks were also warned to consider the effects on the local community before selling off non-fee-charging machines, and the Post Office in particular was told to urgently re-examine its policy towards charging ATMs.

There are approximately 55,200 cash machines in the UK and around 22,000 of them charge users to take out cash.

It is estimated that customers pay a total of £140 million a year to access their own cash".

(http://www.ntlworld.com/partners/itn/britain/story1640839.php)

The news item above from ITN news raises the idea in the minds of the public and the Government, of the role banks and banking have in society as an institution. To be charged £140 million a year to get at your own wages or savings is clearly wrong, but it does raise philosophical questions, as to the role of money and reward itself.

Commercial industries such as the construction industry are facing an increasingly escalating business debt expressed as a percentage of gross domestic product (GDP)

Rowbotham (1998)

(Consequently, some commercial industries debts are pushed well over the averages of their competitors to levels, which could force them out of business).

Whilst commercial firms face many difficulties, including maintaining a high share price, (once shares are sold it also becomes an interest repayment scheme known as dividends) profitability, technology innovations and their costs, and maintaining a demand for their goods, the extra burden of borrowing money to invest with high interest charges, means this may be one more burden they may wish to do without.

"A firm can feel they are working for the banks and not the shareholders"
Building Magazine 12/11/2004

The statement above is made by an employee of Jarvis, who are experiencing financial difficulties having also repaid £40 Million, in interest charges alone in the last two years.
As they construct projects beneficial to the public sector, these public projects may well have to be abandoned or rescheduled at the time of writing. This may detract their attention from the public services and institutions they were employed to benefit, whatever the procurement model employed.

Most firms find they cannot invest from profits and are forced to borrow to invest
Rowbotham.(1998)
Their profit margins are such that interest payments eat heavily into turnover, and repayment of the principle debt itself could be impossible without reaching insolvency.

Banking reform 1, thesis

Many of the commercial firms are building schools, hospitals and roads through Public finance initiative (PFI) contracts and in such circumstances a greater degree of responsibility by the Government should be given, other than offering lower interest rates to public concerns. Increasingly industry, like a homeowner taking out a second mortgage, has had to resort to distress borrowing to maintain its business **Rowbotham. (1998)** The economy is in turn reliant on industrial borrowing for investment, to avoid a downturn or slump.

2.4 Financing infrastructure

If commercial firms are working for the banks, then they are working in the "multiplier effect" model the banks employ, itself presented by the (MO,M1,M2, M3 & M4), MO – M4 money supply system, as indeed is the entire country (or countries)

As a brief explanation of this model the construction industry works within, coins ands notes, known as

1. "MO",i.e. cash, = the debt free money created by the government in existence.

2. "M4", the money supply, which is in two parts:

Part 1) The total debt of borrowed money, (a lending counterpart of)

Part 2) The total money supply.

Since 1982, the lending counterpart (part 1,the debt) has exceeded the total money supply;(part 2), the latter is in any case borrowed into the economy itself as interest bearing loans.

Example; total money stock supply 585 billion, total debt 679 billion (see 1995 below) and therefore all the money created (M4) is created as debt.(except the current MO cash and coins, no 1)

Without calculating the money multiplier effect, (the ratio of MO/M4), in 1997, the total amount of MO (debt free cash) was 3.6% of money supply, compared to 19% in 1967**. Rowbotham. (1998)** Statistics since 1963 up to 2004 show the same pattern in monetary policy (see below) and a explanation of how and why this policy operates.M4 part 1 and 2, are one in the same as all money is borrowed into existence it does not pre-exist a loan agreement.

Figure 2.1 (part 1)

Details of UK Money Supply 1963 – 1996

Year	Total of Coins & notes (M0) £ billion	Total debt (M4 Lending Counterpart) £ billion	Money Stock (M4) £ billion	Percentage of Money issued Debt-free (M0/M4)
1963	3.0	9.0	14.1	21%
1965	3.3	11.6	16.0	20%
1967	3.7	13.0	18.8	19%
1969	3.8	15.8	23	17%
1971	4.3	19.2	27	16%
1973	5.1	32	39	13%
1975	6.5	43	53	12%
1977	8.1	52	65	12%
1979	10.5	72	87	12%
1981	12.1	101	116	10.5%
1983	12.8	151	161	7.9%
1985	14.1	209	205	6.8%
1987	15.5	291	269	5.8%
1989	17.2	438	372	4.6%
1991	18.6	586	485	3.8%
1993	20.0	625	525	3.8%
1995	22.4	679	585	3.8%
1997	25.0	780	680	3.6%

Source; Bank of England Statistical Releases, 1995, 1997.[4]

Rowbotham 1998 (figures in Billions)

Figure 2.1 (part 2)

2001	37.3	1160.0	924.4	4.0%
2002	39.5	1260.2	1008.7	3.9%
2003	42.3	1369.7	1081.1	3.9%
2004	44.5	1518.7	1175.5	3.78%

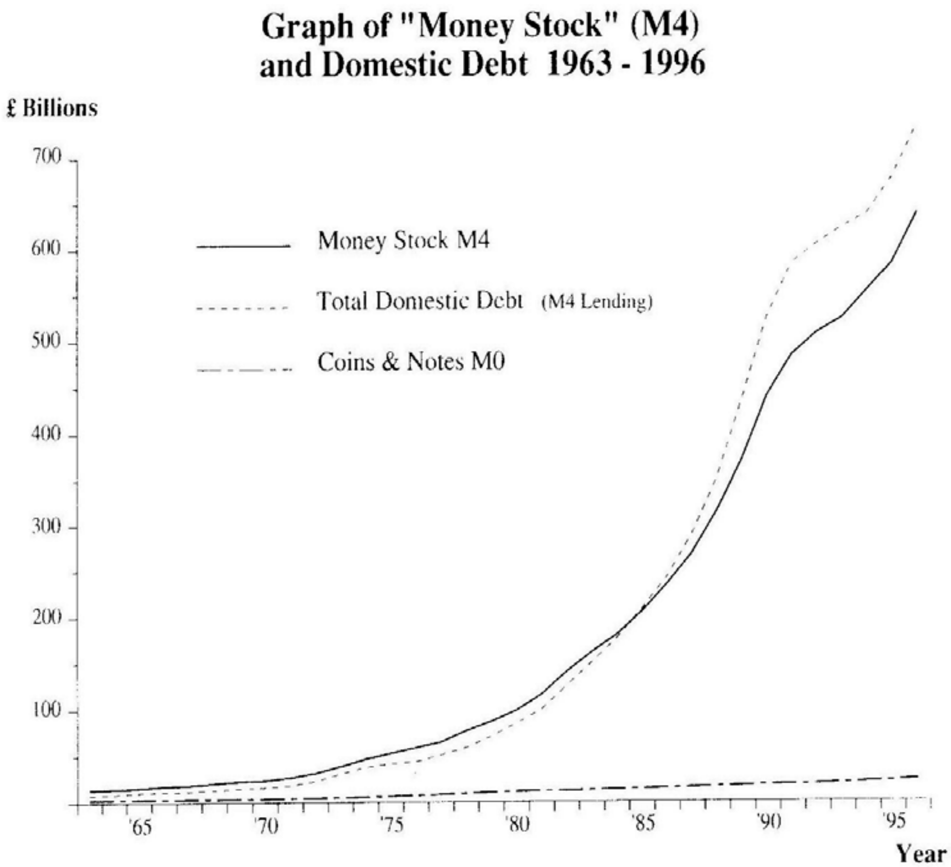
These last figures supplied by the Office of National Statistics 2005.

Figures from 1998 to 2000 are missing. However there is every reason to suppose that the missing years have continued to rise, as the figures for 2001 – 2004 also indicate

From 1963 to 1997 the percentage of M4, money/credit has increased from £14.1 billion to £680 billion all of it borrowed into existence instantly becoming a debt, charged to the government and/or lending counterparts (the banks) at interest.(i.e. us)

Over the same period the MO, debt free money by the government circulated debt free into the economy, has significantly decreased. Whilst there is a cost of minting and printing coins and notes, any increase in credit interest free, simply marked as deposits into a contractors or supervising body's bank account,(i.e. the new procurement models account known a "C", currently theoretical but see 4.3 TO 4.5 & Appendix C) is of course only the same as producing a loan by computer banking for interest bearing loans. Therefore the debt free government money (MO) is steady at 3 – 4 % over the last 8 to 10 years and already exists as a source of debt free money.

Figure 2.2



Rowbotham 1998

In 2004 MO (coins and notes) amounted to £44.5 billion, which is itself enough to build many hospitals and schools debt free.

The total money stock in 2004 was £1175.5 billion, yet the total debt is £1518.6, which means effectively the country is insolvent, and has been since 1985.

If the MO was substantially increased,(i.e. a source of debt free money already in existence) many firms may well face less of a strain, with simply having no interest to repay as it could be lent as credit without having to charge interest.

Banking reform 1, thesis

Companies borrowing £125 million at 7%, have to pay back over £8 million a year in interest, and this is a meagre borrowing requirement compared to many other industries and firms.
This could apply to any and every procurement model we employ.

Private finance initiatives are financed by borrowing **(Begg et al)** mainly from the banks. Government bonds are "iou's " set against the current level of the national debt, which once purchased, promise's higher rates of return in the future. As the national debt increases so does the size of the bond, even though its increase is a negative.(stocks and bills known as gilt edge securities).
As payments to meet the increased value of the bonds is also made from taxation there is a massive shortfall in government revenues, which the government raises by selling more bonds, to fund the PSBR (public sector borrowing requirement), a continuing re-mortgaging of debt and maturing bonds. (essentially an "iou " merry go round which is never repaid).

The increased value of the bond is known as the interest on the national debt, which increases the national debt and so on. (This profit known as interest is therefore interest on a debt, also a negative amount.)

Whether these bonds are bought by banks to pass on as capital to produce credit to the construction industry or by private institutions/ individuals to fund a construction project, all of it was originally borrowed into existence at some point and acquired by the government in the M0/M4 model, at interest yet still having its origin from the nations taxes**. Rowbotham 1998**

Those taxes service the national debt repayments, and the private construction industry and the public sector additionally pay interest on money from the banks, which it raises from bonds or by credit directly from the bank of last resort, itself borrowed into existence against a large negative of debt, itself accumulating interest.?

Therefore the public sector if financed directly from the government, or projects financed through PFI, all have interest charges to contend with. Even the “private” funding originated in public taxation.(See also Appendix D) True private funding of a project would involve a consortium of individuals who invest their savings directly into a project.

Many PPP (private public partnerships) funded by private finance initiatives, are often subsidised causing similarities to the funding of projects prior to 1979 but post world war 2 models of nationalised ministries in health, education and transport ?.

An increase in the MO (a source of debt free money/credit), is the only other alternative short of the public building a project themselves out of natural materials they already own. An increased source of MO could become a new type of procurement model itself, which we could call C. (Traditional government funded being A, PPP and PFI being B). (see 4.3 TO 4.5 & Appendix C)

As current borrowing means construction firms feel they are working for the banks, the new procurement model C, could be funded 100% by taxpayers money directly, and save the public purse money to boot.(credit without interest)

Banking reform 1, thesis

The bidding process for PFI projects can cost a contractor/consortium up to £100 million a year in red tape and transaction costs (Allen et al), a new procurement model may attract, new bidding models and consortiums/contractors, this however is outside of this current research.
As the “multiplier effect” model (as any economic model) is only possible due to the taxes (and taxpayers), funding it, any easing in a construction company’s operations could help increase time for decisions, quality and value for money. if so, this could bring a viable benefit to the construction industry and the public.

Marx (1906) traces the origin of banking to both Genoa in the 14th century, and to Amsterdam in 1603, and from there to England in 1698, being as the bank of England was modelled directly on the bank of Amsterdam.Forming a marker also of the internal revolutions in the Dutch Republic, which directed and preceeded the English civil war and the Glorius revolutions of Britain.(but more glorius for the Dutch)
Going back into history further this type of economics has been prevalent since the dawn of history **(see also Appendix D & 9.2)**

Plato regarded the creation of Credit as an implication of a lack of trust and was hostile to its use,
Scott B MacDonald, Albert L Gastmon
whilst his pupil Aristotle (who later tutored Alexander the Great) commented on the “types” of money.
The Philosopher said of credit with interest “The most hated sort, and with the greatest reason, is usury which makes a gain out of money itself and not from the natural use of it.” **Backhouse**

Banking reform 1, thesis

Aristotle concluded;

“Exchange of one good for another was important because it made the goods consumerable shoes could be measured in terms of wheat. But if the shoemaker did not want wheat, or the farmer did not want shoes, exchange could not take place, making it impossible to compare the two goods. How was this problem to resolved ?Aristotle’s answer was money.”

Backhouse

Through the ratios of their exchange both shoes and wheat could be compared “and it is demand that makes goods consumerable, and money acts as a representative of demand”.

Backhouse

Wealth and its acquisition however concerned Aristotle

“On the other hand, exchange simply for the purpose of making money is unnatural, for goods are not being used for their proper purpose. The unnaturalness of such activities is revealed in that creating wealth by exchange suggests that wealth could be accumulated without limit-something Aristotle believed to be impossible”

Backhouse

“Men by be rich in coin, he argued but starve for lack of food” Backhouse (quoting Aristotle)

These matters of right and wrong were related in Aristotle’s Nichomachean Ethics and moral issues arising from natural Justice, laying the foundation for democratic ideals up until today.

Banking reform 1, thesis

"The loans enable the government to meet the extraordinary expenses, without the taxpayers feeling it immediately, but they necessitate as a consequence increased taxes" **Marx (1906)** which of course the nation pays increasingly.

"On the other hand, the raising of taxation caused by the accumulation of debts contracted one after another, compels the government always to have recourse to new loans for new extraordinary expenses." **Marx (1906)**

"A government can decide to make anything legal tender" Mayer

"The creation of money" writes **Martin Mayer** "is a political act, and the Roman Emperors, portraits are on the Roman coins for reasons beyond the vanity of the gentlemen involved, the enforcement of official money as a medium of exchange is one of the key attributes of sovereignty" Mayer

"Interest was forbidden by two synods (of the Christian church) in 787"

In 1552 there was a fresh prohibition against it, but legalised again under Elisabeth 1st

"wealth is a positive physical quantity, but debt is a negative quantity. It has no concrete existence, and is to the physicist an imaginary quality." Professor Soddy

The influential Mandeville in 1714, in his "Fable of the bees or public vices turned public benefits" introduced the philosophy that activity whether, it be building, crime, war, death and birth are all acceptable regardless of moral or conscience.

<u>Banking reform 1, thesis</u>

“Mandeville’s fable was about a large, prosperous hive, well stocked with bees. Vice abounded, in that all the bees were driven by lust and vanity. Wealth was unequally distributed, but all the bees, even the poorest, were better off than they would otherwise have been. The reason was high consumption created employment. Every bee was kept busy attempting to satisfy another’s demands. Even crime and fraud provided opportunities for honest employment – burglars provided employment for locksmiths” **Backhouse**

In construction terms money may be lent from the hive regardless if the bees can construct to any degree of competence quality is not the issue, “shortermism” is.

More familiar is **Adam Smith** and his wealth of nations “The pursuit of individual self interest was the quickest route to the improvement of the collective welfare” this view became the “predominant economic driver” **Allan et al,**

but individual self-interest however natural is not the natural way to collective welfare.

“In the United states, prison-building companies lobby and bully state and federal authorities to introduce tougher penal policies and increase the incarceration rate, with striking success. As the power of corporations increases, it is not hard to envisage a situation in which law and order policies are driven by financial vested interests. This is a prospect which appeared to thrill Adrain Montague when he was head of the governments PFI’S taskforce. ‘The prison sector’ he boasted ‘is becoming a commodity product, it is almost a production line’ **Monbiot**

At the instigation of the Bank of England, (1660 to 1707) it had considered many proposals from the finest brains as to how it could be achieved to maximum effect for expansion. As many as 120 schemes were considered. One of them John Locke commenting on the new system said

Banking reform 1, thesis

"He (Locke) began by stating as a principle that there is only one difference between the Government which debases the coins and the criminal who clips them, viz, that the Government can oblige the people to accept the debased coins" of course they could also oblige the people to accept paper money, just as easily.

Locke continues after pointing out that such conduct would cost the state dear

"debasement will defraud the King, the church , the Universities and hospitals," he adds

"it will weaken the public faith"

Andreades.

A participant in the way the Bank's philosophy would surface was Sir Isaac Newton, who although was able to foresee how gravity acted as a force bringing objects down to earth, eventually lost millions in the "south sea bubble". The South Sea Company simply tried to tie in its shares into the national debt, but was unable to sustain its expansion, and the Bank of England was left as sole venturer into this new scheme. **Hutchinson**

The bank initially raised £120 million from its shareholders in the City, but its continued and simultaneous expansion was afforded by instigating, and controlling a national debt, raising its capital as credit gleaned not just from its reserves, but also from the debt of the national debt, which was classed as wealth or intrinsic money and able to generate more credit on money already classed as debt, and so on until a spiral of debt was created. To fund this to this day the trick was;

"they issued a £1, the holder of the £1 note had the right to demand that the bank give him cash for his note, but, if he made that demand, the Bank had the right to demand the Government raise the £1 by taxation and repay the £1 worth of debt to the bank so that the bank might repay its £1 to the note holder" (the £1 they issued was created by the Bank, it did not exist before a loan request was received by them)

The plan had many critics even on the committee

Hollis

"Everyone can create money (quoting the economist Hyman Minsky speaking in 1986), the problem is getting it accepted." Mayer

A further development is the bank of England also had (From the original charter)

"The bank hath benefit on the interest of all monies which it creates out of nothing"

Hollis

The bank charged interest on taxes collected, back to the Government and to all.

This has led to the phenomenon of inflation, (John Lockes debasement worry above) which seeks to avoid any connection with debt economics, and it is debt which causes inflation **Rowbotham** (1998)

The explanation is there is too much money, chasing too few goods, yet everyday experience is; people (consumers) have too little money,(in their pockets)and there are too many goods, goods are piled high in the shops, and advertised everywhere incessantly. The gap between prices and incomes is never blamed. This gap is filled always by borrowing (mortgages, credit cards, bank loans, PPP and PFI projects bank loans). The very term inflation arose when banks inflated paper money as the currency, as paper (beyond its reserves), as debt, this inflation is caused by printing currency at the stroke of a pen into existence, causing the gap between prices and incomes, which needs more borrowing to meet the gap (the national debt) (Rowbotham).

Much of this gap in 2004 was plugged by 'non-status lenders' or loan sharks to the tune of £16 billion, with APR's as high as 365 % and 1,564 % on the original loans.

http://www.neweconomics.org/gen/z_sys_PublicationDetail.aspx?pid=129

<u>Banking reform 1, thesis</u>

Valuing the labour of the worker, (as opposed to the hirer) as a commodity, and giving the worker (or taxpayer) the total profits as a result of that labour (and controlling the method of manufacture), was a method of filling the gap between prices and wages **Marx**

"And with the rise of National debt making, want of faith in the national debt takes the place of Blasphemy against the Holy Spirit" Marx

Therefore and since no philosophic or religious view, aligns debt with faith the consuming taxpayer, could benefit from non-inflationary, interest free loans, if they were available?

"So it is clear that a fault exists in the money-lending function of the banking system. The very mechanics of the lending **produces misrepresentation; it is dishonest.** Yet it has become an accepted practice. It has been legitimised." **Tomlinson**

Into the twentieth century government increased as municipalities increased (or were funded as a matter of course), and state driven models came into existence with many services nationalised in the 1940s.

Into the early 80s and following international deregulation of financial markets the Bank of England adopted an outlook of unrestrained credit lending and aggressive free trade policy (Begg et al).

This was achieved by deregulating foreign investment capital and domestic banking in 1979, and abandoning the liquidity ratio in 1980 (which limited loans to 90% of the total deposit held).Tied to this was the liquid/asset ratio which meant any loan amount must have 10% of its cash value to back it up. This latter ratio is now the "capital adequacy ratio" set to international standards, it is not binding, and the only legal restriction today is 0.5% of a firm's assets be lodged with the Bank of England in notes or coins.**(see appendix E)**

Further deregulation occurred in the “big bang”of 1986 when the City created LIFFE (London International Financial Futures Exchange) “as a casino for large-scale betting on the future price of currencies, interest rates and derivatives (which is a combination of interest rates and currency)

Harman & Campbell (Eds) (2005)

“the global value of derivatives rose from $2.9 trillion dollars to $127 trillion between 1990 and 2002” **Harman & Campbell (Eds) (2005)**

In this casino workers have been forced to take out their pensions and the real value of insurance and pension funds has increased from £27.7 billion in 1990 to $43.3 billion in 1996. **Harman**.

However trading has meant that real value has not been passed on to the pensioner with

the last official estimate, published in October 2004, put the public sector pension deficit at £425bn.

http://news.bbc.co.uk/1/hi/business/4273515.stm)

This can be contrasted against smaller concerns who nevertheless have the loans to assets ratio to consider. i.e. credit unions **Figure 2.3**

The Comfort Zone

West Central Scotland retained a remnant of working class solidarity with a history of co-operation that provided fertile ground for the development of credit unions

Slide 2: Credit Unions in Great Britain: 1997

	Total	England and Wales	Scotland	Scotland / Total (%)
Number of credit unions	549	434	115	20.9%
Number of members	219,729	126,837	92,892	42.3%
Total assets	£123.1m	£68.7m	£54.4m	44.2%
Total loans	£98.1m	£51.2m	£46.9m	47.8%
General reserve	£9.6m	£4.7m	£4.9m	51.0%

[1] The Registrar of Friendly Societies has indicated that when this ratio falls below 70% and a credit union is deemed to be trading unprofitably, a letter is sent emphasising that the credit union is in the business of lending.

http://www.sml.hw.ac.uk/socialenterprise/Reports/Why%20Credit%20Unions.pdf

The most successful credit unions are successful by having a “healthy” reserve of capital. Having its modern resurgence in Dublin in the 1950s, credit unions also became popular in Ulster between Catholics and Protestants, and the continued success of credit unions is a balancing act between being a charity and maintaining a business like attitude. **Berthoud and Hinton.(1989)**

Deregulation in the early 1980’s led the already slim reserves to be virtually non-existent.

It was during this time that the total debt counterpart (M4) began to exceed the total money supply

Rowbotham (1998)

For a wider international view of deregulation across Europe, America and Britain see Appendix C

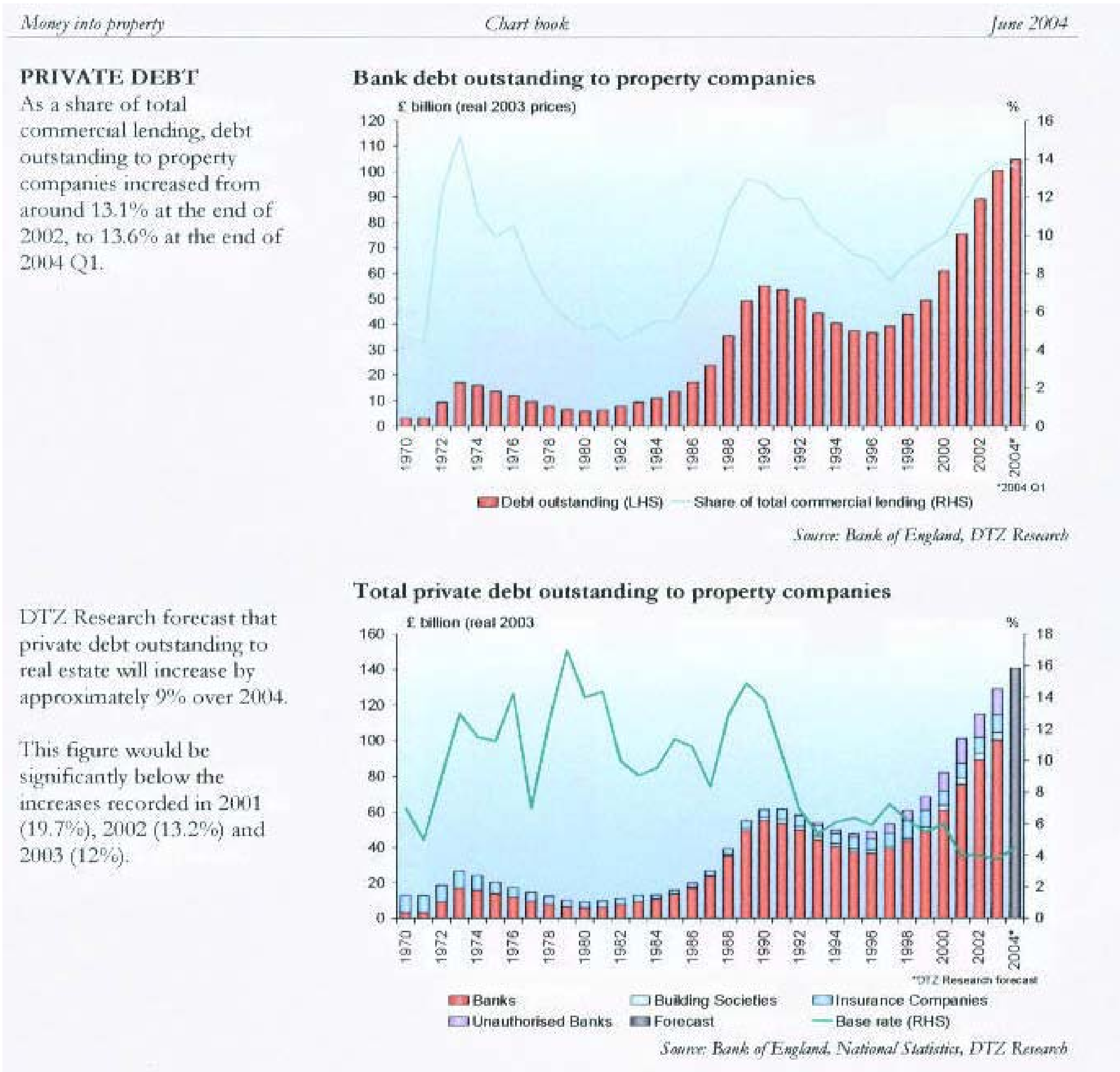
Garner noted that almost a third of companies he reviewed in 2002 went out of business because of cash flow problems. **Construction News**

Ooi noted that by 2000 bank borrowing made up more than half of the total outstanding debt of the property sector.

By 2003 this has increased to over three quarters of the total outstanding debt of the property sector.

Journal of Property Investment and Finance

Figure 2.4


Money into property — *Chart book* — *June 2004*

PRIVATE DEBT

As a share of total commercial lending, debt outstanding to property companies increased from around 13.1% at the end of 2002, to 13.6% at the end of 2004 Q1.

DTZ Research forecast that private debt outstanding to real estate will increase by approximately 9% over 2004.

This figure would be significantly below the increases recorded in 2001 (19.7%), 2002 (13.2%) and 2003 (12%).

DTZ June 2004

Just as the economy is in turn reliant on industrial borrowing for investment, to avoid a downturn or slump, so the Banks are reliant on industry to borrow money into existence. Quality in between this marriage is only a secondary consideration.

Rowbotham (1998) asks if Mortgages (a loan with interest) are a means of facilitating home ownership or a mechanism for supplying money to the economy, concluding that prices are not what people can afford to pay (demand), but what they can be persuaded to borrow (money supply)

Quality of goods and their design is usually thought to be driven by consumer demand. However, it can also be argued that an industry's desire for profit can influence quality and design. For example, an industry may decide to produce goods with a limited shelf life in order that customers consume throwaway items more frequently thus maximising money spent over a given period, i.e. 4 cheap kettles at £20 over 6 years, as opposed to one quality kettle at £70.00 over a longer period .The life cycle of goods has been decreasing throughout this century, across all levels of industry **Cooper 1998**, and this would also seem to apply to the construction industry.

OECD produced a report stating, "there is no question that longer lived products could be made. This is freely agreed upon by manufactures of these products "

(**Cooper** citing OECD report 1982) (Organisation for Economic Co-operation and Delevopment)

This level of consumerism with a "design life" has been highlighted as a form of addiction we are all seduced into.

However we seem to be unaware how this is happening. **Chomsky (1989)**

The Society of Chief Architects have recently (March 2005) expressed concerns, on design and quality amongst other issue;

"It also took the government to task for allowing too many contracts to be allocated on basis of low cost rather than best value and whole-life cycle costs" **Building Magazine (24TH March 2005)**

"The society also took a swipe at a number of procurement processes including PFI, for being to complex and expensive" Building **magazine (24TH March 2005)**

The public sector output can also equate to a lack of funding not quality,(as quality private design or public design is as good or as bad in either type of institution) and funding is to blame not the institution, and the Society of Chief Architects are worried that ill conceived schemes of the 1960s and 1970s would be repeated.

…we build some rubbish these days' **Horsfall November 2004.**

A most notable occurrence of design and construction problems being led by industry dictating the change, came in 1983 as Public building changed to private "quick builds" funded by mortgages, The timber-framed homes favoured by construction firms such as Barrett, had to be constructed quickly to improve profitability, or bricks and timber frames per pound per hour. This rush led to the breather vapour barrier in houses becoming punctured in every home as nails were driven through the timber frame. Interstitial condensation has caused the timber to decay (condensation formed on the inside of buildings, trying to get out). As these houses only had ten-year guarantees, they are now effectively worthless (if detected in a survey). **World in Action 27/06/83**

This coincided with the decision to decrease public housing and increase mortgages as a purchasing agent and with the sweeping banking deregulations in 1979 – 1981 and growth of National Debt, and M4 lending as debt over actual money stock.

Identical problems occurred with David Wilson homes where the design and build quality were less than poor, and speed meant the 1984 building regulations were contravened on many occasions **Watchdog BBC1 26.11.2004**

Similar problems occur in the construction industry when surveys are relied upon to ascertain the state of a building, yet in practice they are simply an insurance policy to ascertain if it is mortgage able. Banks or building societies recommending a surveyor and a surveyor trying to complete as many surveys as possible in a day, in turn to facilitate as many mortgages to be issued as possible, means the credit with interest is driving the market not the desire to fund good quality homes for the public. **Dispatches Channel 4 1999**

To repeat:

Just as the economy is in turn reliant on industrial borrowing for investment, to avoid a downturn or slump, so the Banks are reliant on industry to borrow money into existence. Mortgages (a loan with interest) are a means of facilitating home ownership or are they a mechanism for supplying money to the economy, concluding that prices are not what people can afford to pay (demand), but what they can be persuaded to borrow (money supply) **Rowbotham (1998)**

The Money Programme televised on February 11TH 2004 opened with the following headline "Could you believe that a bank would invite customers to defraud it? It may sound incredible, but that is what some of Britain's biggest mortgage lenders have in effect been doing."

Money programme (Feb 04)

This headline related to self certificating mortgages, whereby if you earned £25,000 pa and claimed you earned £50.000 you could times the latter by three, and you were persuaded that the cost of the house is what you could be persuaded to borrow.

A 100 % mortgage also often relies on finding no faults with the property (and therefore no retention) which so encourages the cheapest (and quickest) house survey, which is a rubber stamp onto a banks or building society insurance policy, and certainly not a system within which quality pervades.

The real problem with this scheme and housing generally is

Banking reform 1, thesis

“There is no shortage of land on this little Island, just a shortage of planning permission”

spoken by David Petty Chief Eexecutive of Barratt Housing **Building Magazine 4.2.2005**

also **“In the 21st century, 0.6 % of the people own 69 percent of the land”**

Cahill

The scarcity, not of land but of land which gets planning permission means the price of land is high, which in turn means house prices on the land is high, which in turn means the amount of mortgages available as a funding mechanism is high in number and in £’s. As stated earlier house prices are not what you can afford to spend, but what you can be persuaded to borrow. Mr Petty points to Barrett’s average house price of £165,000.00, a 2% rise on last year (2004), and adds that a solution to the lack of land is to prioritise planning for brownfield sites and, for the Government to sell of its land “at nil or minimum cost”. (Public land!) **Building Magazine 4.2.2005**

Presumably then Barratt could produce good quality housing at an average £165,000.00 per house upon it or even at half price or less.

“More than 30%, and, maybe as much as half of the actual acreage of England and Wales is not recorded in the land registry” Cahill.

“77% of the population, in the land of the country is 5.8% of the land or about 3.5 million acres”.

Cahill

This may account why land is seen as scarce, and overcrowding is so apparent. Major conurbations only afford this view, as overcrowding is all they can see in the confines of Urbanisation.

“The land is priced as it is, because it is perceived as scarce when not only is it not scarce but it is kept from dereliction by huge public subsidy. It is perceived as scarce because neither the government, nor anyone else has made a complete land registry, and therefore the nature of this land and its ownership in particular is unknown”. Cahill

Banking reform 1, thesis

Parcels of these private lands are publically subsidised, lands are then sold off to developers "very often from land held in special offshore trusts and companies and effectively untaxed" Cahill The global super rich "stash $11.5 Trillion in tax havens" "Of the worlds 72 major tax havens, 35 are linked to Britain, including the City of London (not London the City), which offers special treatment to non-residents" **www.taxjustcie.net**

In 2003 the UK was worth £5,344.00 Billion. The most valuable stock was housing valued at £3,045 billion or just less than 60 %. **Office of National Statistics.**

Mortgages therefore taken out repeatedly generate credit and interest payments like a harvest, all of which originated in taxpayers money, but benefits only the few.

Loans to the construction industry are also in effect a mortgage to the bank, and credit and quality issues are in essence the same.

Currently amidst Government seeking new low cost housing ideas "In terms of real value, over 70 % of housing stock in the owner occupied market, the value of the investable residential market is circa £300 billion"

DTZ (April 2004 Executive summary of Housing as Real Estate)

But the Government want to raise the level of Mortgaged houses (i.e. not owned) to 80%.

"In the past ten years, the home ownership rate has risen only gradually from 66% to 70%. Raising it to 80% would mean 2.5 million more households becoming owner occupiers" "Mr Blair's aspirations sit uneasily with the more modest ambitions of John Prescott, who is in charge of housing. Mr Prescott worries about reducing the cost of social housing"

The Economist (January 29th – February 4th 2005).

Banking reform 1, thesis

A recent initiative to build housing at around £60,000 and say the land was an additional £40,000 the first time buyer would acquire a 60% stake in the property.

The Economist (January 29th – February 4th 2005).

They would of course never own the house outright even when/if the mortgage is paid

Either way, or private land could very easily become public, home ownership is a misnomer, as ultimately until a mortgage is paid the ownership remains with the Bank.

Therefore home ownership has decreased in real terms as Mortgages have increased, and British people actually own less housing now than they did in 1980.

Aside from the fact that the MO/ M4 system devalues a £1 over time (it buys less due to inflation i.e. inflation, caused by inflating the money supply in paper terms more than the value of assets) as John Locke had feared at the inception of the system in 1680 - 1694, wages in any case have to be falsified and marked up at mortgage application stage to pay for the building…. which you do not own.

"Why is it that after 30 years of property buying, mortgage repayments and assistance from inflation, the people of Britain own less of their house's than at the start" "How can we be buying all the time and never owning?" "why does so little housing equity pass from one generation to the next?" Rowbotham (1998)

To repeat; loans to the construction industry are also in effect a mortgage to the bank, and credit and quality issues are in essence the same.

With 40% Capital gains tax, and inheritance tax generally tax given back to the Government on the price of a house once the owner passes away, in effect a homeowner's heirs are only accruing 60%

stake in the property to pass on in any case. (Providing the house is worth more at the end than at the start, which is not always the case). Why should the working class pay this tax twice, (actually three times).Marx maintained that not many workers took advantage of tax loopholes only the rich

Marx (1958)

"the period 1990 – 1997, when a total of over 500,000 families had their homes repossessed"

Cahill

And indeed many other periods.

This provides the landowners with an almost near certainty that land ownership does not pass away from them, and to the majority of a country's population who live upon it. **Cahill.**

And if this is not disturbing enough;

"The money to buy our houses outright, like the money to buy other products in the economy, simply does not exist in its own right; it is money created specifically for the purpose of the house purchase, which then contributes to the total money stock." **Rowbotham (1998)**

Further "dead money" (like rent supposedly is) is lost as soon as you take out a mortgage at £100.000.00 for 30 years at 14% you repay £180,265.82. or £80,265.82 more than its original value. Half the percentage rate and take of five years and you are still paying £30,000.00 more (approx) of course average house prices are over £150,000.00, and since the money originates in taxes you are also paying for it twice!

Money which does not exist, and yet there is never enough money?

In primitive societies a lender could collect all the rare shells in existence of a particularly prised variety, and if he manages to collect all 10 shells that exist (cornering the market). He could then sell a parcel of land at a cost of 10 rare shells. The buyer over 25 years works and accumulates 9 rare shells, which have been traded, but he can never get the tenth as it has been kept by the lender. The lender in turn forclose's on the deal without the tenth as full payment,(that he holds in any case) and the buyer has been unable to understand why he lost his life' s work….because there was not enough shells or money, but there were other item of value which could have taken its place. **Hutchinson**

In January 2005 the NHS was £500 million in debt. Even when wards and operating theatres are cut and redundancies given, the debt will still be £225 million reports the Strategic Health Authority (SHA).Half the SHA's quizzed by the Health Service Journal) (HSJ), said they would be in debt by the end of March 2005

BBC1 Television News 06.01.2004

Nobel Prize winner **Milton Friedman** wrote a book in 1960 called, A Program For Monetary Stability (1963) he stated that he was in favour of what Henry Simons and Lloyd Mints were advocating, that is, 100% reserve. In other words, he advocated that governments, rather than private banks, issue the money supply. Milton Friedman suggests the treasury can issue treasury bills, issue and destroy them.

This view of economics (from the Chicago school) arising when a Yale Professor of economics in the late 1920s lost everything in the Wall Street crash. Shocked he wrote "100% money supply" **Fisher.**

<u>However from Fisher to Friedman what is missing, despite the overseeing committees they recommend is a working class control of the money supply, a real public committee</u>.

But the issue of **"The bank hath benefit on the <u>interest</u> of all monies which it creates out of nothing" Hollis**

which had to be paid out of taxation, is one of the most important to consider.

For further insights into one way this might be achieved see Appendix "C" and 4.3 to 4.5

Banking reform 1, thesis

Also missing

"Amongst the many costs of the Private Finance Initiative is the transfer of control and ownership of the nations critical infrastructure to private business, whose interests are often more wholly distinct from those of the electorate. Complicated and confidential, it has been able to penetrate areas of public life whose overt privatisation would be politically impossible. It has enabled companies to harness the great untapped resources they coveted, sustaining their share prices by turning public capital into private cash. The purpose of the Private Finance Initiative is to deliver the assets of the state to the corporations" **Monbiot**

Therefore to change this massive under funding and "property apartheid" will require going beyond the existing borders of economics and law" **De Soto**

Not having to pay interest may ease the company's worries, and it is to their outgoings, and getting value and sense for taxpayer's money, that this review is primarily concerned.

3.0 Research Methodology

3.1 Outline of Chapter

This chapter describes what is the best method of data collection by the author to meet the aims and objectives.

Also described are the justifications for taking a particular decision in collecting data which is both quantitative and qualitative, using both interview and survey techniques.

3.2 Aim's and Objective's.

1.To discover if the construction industry, believes debt free loans would benefit the construction industry (as any other), and if the construction industry would prefer them.

2.To discover if interest free loans are possible.

3.To theoretically see if a new procurement model is achievable and desirable under the above criteria.

Objectives

The two aims above will be achieved by comparing the historical cases for against the idea of how or what money should do and what it actually is.

This will be then compared to what the construction industry itself thinks on the subject now.

Finally to discover if interest free loans are actually possible, will also involve collecting direct information from banking institutions.

3.3 Data type.

"Quantitative data is therefore not abstract, they are hard and reliable."

Naoum (2004)

Qualitative data is “subjective in nature, with emphasis on meanings and experiences”.

Noaum (2003)

This definition is therefore useful when, a personal experience or view is sought, as

Opposed to just being factual.

As I am seeking an awareness of the construction industry’s and banking institutions on a particular idea, quantitative data will be useful, as it is a very simple question or question being put to the participants.

Naoum 2004, suggests that a hunch or theory in qualitative research is “less clear than in quantitative design because there is no standard terminology or rules about the placement”,

However “the placement of theory in qualitative research tends to be towards the end of the study”

Noaum (2004)

The hunch in my particular theory was that the questions, will also give rise to larger questions both in the construction and banking institutions. Therefore the questionnaire whilst asking factual questions will also allow a section for the participants to respond with their own views and thoughts.

The difference between quantitative and qualitative research is “rather like the difference between counting the shape and types of design of a sample of green houses as against living in them and feeling the environment” **Noaum (2004).**

As the data collection will also involve interviews the surveys on their return will also provide good subjects to contact again directly in order to conduct that interview.

3.4 Research Approach

Determining that collected data should be qualitative and quantitative in nature, Noaum describes any suggested survey as fieldwork and primary data collection, whilst desk study is secondary, also both are good agents of collating the information, each with advantages over the other. A primary source of data collection will be the interview.

However as I have provided for personal response on the questionnaire the need to interview has become unnecessary due to the interesting and rounded response those surveyed have provided.

This could not have been anticipated at proposal stage, and if the response had been uninformative the telephone interview would have provided a greater degree of information. The qualitative nature of the questionnaires do reflect the secondary research findings I have complied.

“Some students rely solely on two or three exploratory unstructured interviews which is not enough from which to make firm conclusions” **Noaum (2004)**.The questionnaire response has exceeded more than fulfilled this requirement or caution.

As will be evident the questionnaires changed to include more questions and comprised two sets of questions one for the construction industry and one for banking institutions. Each set of questions are similar with slightly a different emphasis reflecting the institutions status, and also to make cataloguing the replies into a index easier.

To compile a list of institutions I contacted the Royal Institute of Chartered Surveyors, their library search suggested the following book

The UK directory of property developers, financiers and investors 2004

The book has been in the Institute of Chartered Surveyors library for over 10 years, yet they did not have the 2004 edition, Salford University did not have an edition beyond 1997, and this was also the case with the public libraries. Having contacted R.I.C.S , they strongly recommended it and google and or Salford University search engines did not suggest a better possibility. Therefore I contacted the company direct from RICS suggested address at http://www.int-fpi.com/indexa.html, (International Facilities and Property information ltd) who also publish a European version (which this same research could extend to), and spoke to a Mr Bernard Williams Managing director, who gave me a excel copy free of charge. The book is described as follows

"Over 200 pages listing and analysing in detail the composition, activities and performance of more than 2000 companies, including a 70 page market commentary on funding, taxation, development, investment, bonds, unit trusts, stocks & shares, and other aspects of the UK property market by Geoffrey Parsons MSc Bsc ARICS ARVA." http://www.int-fpi.com/indexa.html

With the survey approach, case studies and an exanimation of the historical development of finance would also be employed.

3.5 Questionnaire Construction Methodology

Construction companies, property developers and investors.

Company
Address

Dear Sir

I am currently researching a dissertation on procurement models within the construction industry.

Attached is a brief questionnaire, which in completing will only take a few moments of your time. Also enclosed is a S.A.E. envelope to return the questionnaire.

The questionnaire also provides space for any brief comments should you choose to add your own thoughts**.**

I hope you can help me with me with my research and I appreciate any assistance you can give.

Yours Sincerely

YES **NO**

Q1 Have you ever received and/or been offered interest free credit, through and towards traditional or PPP/PFI procurement model projects from the government directly or through the banks? ☐ ☐

Q2 Have you ever received and/or been offered interest free credit (for the entire length of the loan) for any use (or any construction project)? ☐ ☐

Q3 Would you like to receive interest free credit from the government or the lending institutions? ☐ ☐

Q4 Do you feel interest free credit would benefit your business? ☐ ☐

Q5 Do you feel interest bearing loans increase company debt? ☐ ☐

Q6 Do you feel interest bearing loans contribute little to company debt? ☐ ☐

Q7 Do you feel there is need for a separate procurement model with alternative financing to produce a less stressful & safer financial environment for construction companys and construction generally? ☐ ☐

Q8 Do you feel it is something the company would look into and raise with its lending institution or with the government (DTI) in the future? ☐ ☐

Further comments if required.

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Questions to the banks and finance house's

Company Name
Address
etc

Dear Sir.

I am currently researching a dissertation on Procurement models within the construction industry. Attached is a brief questionnaire, which in completing will only take a few moments of your time. Also enclosed is an S.A.E. envelope to return the questionnaire.

The questionnaire also provides space for any brief comments should you choose to add your own thoughts**.**

I hope you can help me with me with my research and I appreciate any assistance you can give.

Yours Sincerely

YES **NO**

Q1 Have you ever offered interest free credit, for and towards traditional or PPP/PFI procurement model projects? ☐ ☐

Q2 Have you ever offered interest free credit
(for the entire length of the loan) for any use.
(or any construction project)? ☐ ☐

Q3 Would you like to offer interest free credit for construction/procurement purposes? ☐ ☐

Q4 Do you feel interest free credit would benefit business and the economy? ☐ ☐

Q5 Do you feel there is need for a separate procurement model with alternative financing to produce a safer financial environment for construction companys and construction generally? ☐ ☐

Q6 Do you feel constrained in offering interest free credit? ☐ ☐

Q7 Do you feel it is something your institution would look into and raise with its lending institution or with the government (DTI) in the future? ☐ ☐

Further comments if required.

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3.6 The covering letter and questionaire

Having chosen the questionnaire technique as a mixed method of information retrieval ,a simple letter of introduction was constructed with a questionnaire containing simple direct questions, and the covering letter explained all else. Elaborating on the questions was allowed for in the questionnaire, if the participant desired. which could then be duplicated in numerical order from the list supplied by the **The UK directory of property developers, financiers and investors 2004**

3.7 Questionnaire delivery

428 Questionnaires were posted to the construction companies and property development companies and investors (investors require senior bank debt loans, especially if part of a syndicate for SPV's).They all constituted one group.

350 Questionnaires were posted to the banks and finance houses. Each bottom right corner was marked C/PD/I or B/F, followed by a number. On their possible return they could then be placed in numerical order, and an index created, with all replies marked in red, against those who did not reply who are left blank (without colouration) on the index. The replies, which will form an appendix as part of the dissertation due to their qualitative nature and the value of the responses therein.

Table 3.1 Tabulated response rate analysis.

Institution	Q's issued	Responses	**Responses %**
Overall	778	261	**33.5 % ***
C/PD/I	428	155	**36.2%**
B/F	350	106	**30.28%**

* Denotes 23 replies, which said they did not want to participate, expressed by covering letter. If these were included the response rate would be 261 + 56 (across both institutions) = 317, and as a % of
778 issued = 40.78% %. N.B. Blank questionnaires have been included and counted as NO.

4.1 Responses from Banks & financial institutions.

3)

B/F54	Julian Hodge Bank Ltd

A similar and further objection to interest free credit is given by Julian Hodge bank ltd.

Lending always involves a cost the bank feels, but why?.Only if the government pay the interest as a subsidy is it feasible, according to JH bank. Returning to Mr Phillip Martin Joint General Manager of Sumitomo Mitsui Bank (b/f 285) he states that only (i.e. it is possible) the Government can do that from taxpayer's money.

The bank asks at whose expense would it benefit industry, yet there is already an expense which producing the nations money stock as debt, accounted as a national debt, of which taxpayers are not even meeting the interest payments, whilst as the literature review shows taxes are ever increasing directly and indirectly (across any and all political parties time in office).As already demonstrated in any case, interest free loans have a very low administrative expense, and if we view the case study pertaining to the Skye Bridge Mystery (see Appendix A) expense is one which seems to bear little relationship to risk and operational common sense or efficiency

The bank have raised the subject that interest on loans also increase's efficiency and help to streamline the operation. The arguments for and against this are philosophical, but profitability at all costs and borrowing at interest is also a large part of that argument. This philosophy which is called national debt democracy or capitalism, where democracies even if they have fair voting systems and a happy wealthy people cannot be classed as democracies until:

Banking reform 1, thesis

"The democratisation of credit especially since the turn of this century means democracies are not defined as such, until they can issue credit, here or abroad", George

perhaps this push to redefine what a democracy is, and if we examine the case morally from Plato or Aristotle, or even spiritually (see literature review) according to these authorities this system could be the source of the inefficiency itself.

"In Holland therefore where this system was first inaugurated, the great patriot, De Witt, has in his "Maxims" extolled it, as the best system for making the wage labourer submissive, frugal, industrious and over-burdened with Labour"   **Marx**

Also as the case studies point out working for the banks and not the shareholders is in effect what happens.(Jarvis case study Appendix A) People who pay their taxes, should be afforded the right to pool them back without interest attached, and an opposing view is work is for the people, not people for the work and the workers whether they be working, middle or other are entitled to this philosophy being the majority.

Finally Julian Hodge bank's (and see also B/F 290 Alliance and Leicester Commercial lending) view non-interest bearing loans as having to subsidised by Government in effect asking the Government to pay the interest. The idea that loans can exist without interest attached at all is not present. The idea that a 3rd party needs to pass on the tax receipts with interest is.

4)

B/F102	National Bank of Egypt International Ltd

Similar objections arise with the bank of Egypt, who could not consider such loans until the interest was "subsidised".

5)

B/F106	Co-operative Bank plc

The questionnaire bewilders the co-operative bank, but is worthy of a very full reply from the co-op wholesale society (see next)

6)

C/PD/I/90	Co-operative Wholesale Society Ltd

Although a separate company, the idea in principal is something, which the co-operative favours. They in turn do borrow money from there own savings, but build in a 6% interest amount to make up the difference, as if they had invested it. As well as providing a reply in questionnaire form the bank also supplies a very interesting outline of their view as “ethical bankers” in a letter.

See further on government support, subsidy or underwriting B/F194, and B/F124, B/F 237. B/F 296.

7)

B/F214	Earl Shilton Building Society

In essence the building society points out that it also pays interest to savers, and therefore why should it not charge interest to borrowers.

Anybody with savings can of course borrow money to others and if they are successful become a bank. Tax monies however belong to everyone collectively in a democracy, or rather in a economic democracy, which is entirely different. If the building society or any other lending institution around the country received an amount of tax without interest it could of course pass it on to whomever, for a project, which was for the public collective good. These projects could be small, medium or large and would of course involve an administration charge, which could be paid for by the Government as re-imbursement.

Since this would effectively only take the same charge as a mortgage application and the electronic transfer of cash in a second, the administration cost is miniscule.

This is a view shared by Hanley economic building society (see below)

8)

B/F218	Hanley Economic Building Society

Mr David Webster Chief executive of Hanley Economic building society feels that the view or idea expressed above should take the form of "social desirability" basis for certain projects. this is indeed the philosophy a new procurement should take; how far the social desirability extends is of course up to the public, (as it is their money).

9)

B/F253	Stroud & Swindon Building Society

Stroud & Swindon Building Society A member of the building society sates in the questionnaire "Interest is the cost of capital", yet the Government produces over £44 billion in capital already without interest attached, known as the "MO".

She or he continues with "I have no theoretical objection to innovative ways of paying that cost"

10)

B/F265	Banca Commerciale Italiana

See Appendix D

4.2 Responses from Construction companies, Property Developers and Investors

A source of debt free money all ready exits's provided by the Government known as the "MO"

All questionnaires, and all those referred to can be viewed in Appendix F.

1)

C/PD/I/43	Argent Group Plc

"Obviously interest on land and construction/development costs are a major drain on profitability can make some development proposals uneconomic/unworkable"

On public projects such as hospitals interest free loans would make these worries less so.

2)

C/PD/I/73	Bristol and England Properties Ltd

Bristol and England properties ltd view a development or a purchase as having increased as the money has a cost, which someone has to pay for.

Through the ratios of their exchange both shoes and wheat could be compared "and it is demand that makes goods consumerable, and money acts as a representative of demand".

Backhouse

Wealth and its acquisition however concerned Aristotle "On the other hand, exchange simply for the purpose of making money is unnatural, for goods are not being used for their proper purpose.The unnaturalness of such activities is revealed in that creating wealth by exchange suggests that wealth could be accumulated without limit-something Aristotle believed to be impossible”

Backhouse.

Public benefit by public constructions is perhaps one more of those goods Aristotle thought should be used in a proper purpose.

3)

C/PD/I/169	Johnsey Estates Ltd

“Interest costs are fundamental to many businesses and can make or break a project”

4)

C/PD/I/192	Goldman Investments Ltd

“Loans without interest are impossible” say Goldman investments ltd.

This is of course the same a saying interest without loans are impossible? clearly they are two separate items and principles.

Further in any case loans without interest exist and have done in many forms are therefore not impossible.

5)

C/PD/I/224	PJJS Ltd

PJJS believe two-tier funding; one with low long term interest would benefit the construction industry. citing it as the case in America it has in any case also a form of funding which has existed in Britain. Decreasing the level to zero, would also "improve the economic sustainable growth of S.M.E's."

6)

C/PD/I/236	Terrace Hill Partnership

"Nothing wrong with debt! it increases a more rigorous discipline in assessing projects"

The company have indicted that interest does increase company debt and are apparently quite happy with the situation?

7)

C/PD/I/279	Dyer & Butler

"Free credit is ultimately paid for!" say Dyer and Butler

but this is only the case if the source charges for it.

Dyer and Butler place more of a blame on "procurement professionals" charging too much also "procurement bodies and their support systems add significantly to contractors and client costs."

A recent report to be published on April 19th 2005 argues the costs of PFI bidding should be repaid by the Government "the prohibitive costs of bidding for large PFI schemes is deterring bidders" the report carried out by the University of Salford would take stock of the successes and failures of PFI schemes so far. **Building magazine (1st April 2004)**

See also C/PD/I 334

C/PD/I/334	Midas Construction

& C/PD/I 337

C/PD/I/337	Balfour Beatty Construction Ltd

Collectively every PFI cost and every construction cost with interest bearing loans also pays wages and administration systems of the whole bid, the entire system. Every construction project mounted also involves Billions (AS £110 Billion is to be invested into PFI over the next ten years, this alone is £7.7 billion in interest at 7%)

On individual firms the cost is in any case one less they could do without.

8)

C/PD/I/338	Dean & Dyball Construction

"Credit is currently cheap and readily available" say Dean and Dyball

but they would like to receive interest free credit, as it would benefit their business and would reduce company debt.

9)

C/PD/I/371	Tolent Developments

See Appendix D

10)

C/PD/I/377	Gee Construction Ltd

"Gee construction operates without borrowing as we consider finance cost too expensive and risky"

They would like interest free credit to expand.

11)

C/PD/I/379	Britannia Construction Ltd

Britannia feel that although they would like interest free credit, they feel it is the banks business to charge interest. If they did not they should take on more of the reward from the end product.

The taking on of risk, by use of tax revenues given to a private corporation (The Bank of England), and then having it charged at interest to the country is in itself a source of risk to taxpayers. Failing to meet the repayments means the end product reverts back to the Bank. There is very little risk to the bank as the amounts they borrow which they do not physically have (being as it does not exist, only on paper) are underwritten by tax revenues, itself earned by taxpayers, and they have everything to gain whether the money is repaid or not. For more insight into the financial system see Appendix D

12)

C/PD/I/373	Laing O'Rouke Group

Laing O'Rourke feel that they are not sure what conclusions can be drawn from such naive research. I telephoned them, but was unable to discover who had completed the questionnaire. However I did speak to a senior finance manager at Laings who wished to remain anonymous

I asked if he was aware if his own taxes were charged back to him and everyone else at interest, he simply had not thought of it like that. Similar frustrations were felt by C/PD/I 87 (Caledonian trust plc) and 208 (Northsides developments ltd) however contrast them with 356.(Geoffery Osbourne ltd).

Interviewing subjects and action research methods may also have been employed to produce results, which may have produced a different set of statistics, or a more in-depth analysis of qualitative ideas and thoughts. I believe that the time constraints and physical limitations placed on this level of study, would have hindered any approach to collecting data for the dissertation, and having both hard data and the thoughts of a large level of banks and finance and construction companies and property developers, in this simple format has produced the best results, which will be valuable for further study and research.

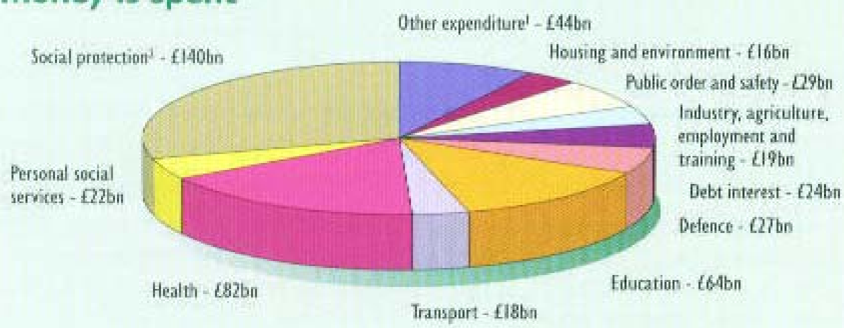
Data Analysis Qualitative continued **4.3 Tax receipts and expenditure and debt.Figure 4.3** **Taken from H.M. Treasury's pre-budget report December 04**

Where taxpayers' money is spent

Total public spending is expected to be around £485 billion this year, around £8,000 for every man, woman and child in the UK. It is set to rise to £520 billion in 2005-06 and to £549 billion in 2006-07.

Where taxpayers' money is spent

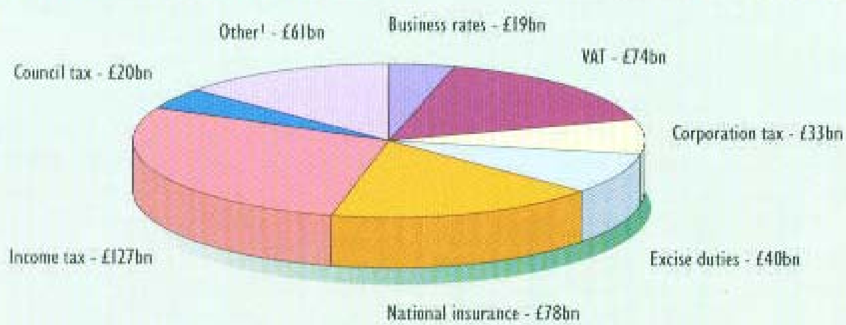
Total managed expenditure - £485 billion



[1] Includes spending on general public services; recreation, culture, media and sport; international cooperation and development; public service pensions; plus spending yet to be allocated and some accounting adjustments.
[2] Social protection includes tax credit payments in excess of an individual's tax liability.
Source: HM Treasury, 2004-05 figures. Figures may not sum to total due to rounding.

Where taxes come from

Total receipts - £451 billion



[1] Includes capital taxes, stamp duties, vehicle excise duties and some other tax and non-tax receipts (e.g. interest and dividends).
Source: HM Treasury, 2004-05 figures. Figures may not sum to total due to rounding.

7

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Of the £451 Billion collected in taxes, the expenditure exceeded the amount, £485 billion was spent, leaving a shortfall of £34 billion.£24 Billion of this shortfall was to pay the "Interest on the debt", which having risen in the USA, Britain and E.I.R.E almost since records began constitutes the interest on the national debt. An interesting point is that the council tax is levying £20 Billion in receipts, contrasted against a hypothetical cancelling of the national debt we could do away with the council tax and still have £4 Billion to spend on nurse's firemen and dustbins etc. (in wages, being the most urgent).A flat tax would then be more sensible.

This aside the tax receipts of £24 billion are reducing people's spending power, and are only paying the interest of the national debt and not all of the interest in any case.

The above figures show a difference of £10 billion, which will need to made up by borrowing £10 Billion into existence (a continual remortgage), as it does not exist. This in turn will only add to the interest next year from taxes and so on. The treasury announced that it would have to borrow £34 billion (2004) this year and £33 billion next year (2005), <u>despite growth being 3.5 % in 2004 and predicted 3 – 3.5 % in 2005 ?</u> (see link below)

http://www.ifs.org.uk/budgets/gb2004/04chap3.pdf#search='bbc%20news%20Â£34%20billion%20in%20borrowing'.

Like Jarvis (See Appendix A)the country and especially the Public sector are working for the banks not the shareholders.

Contrast this against;

"The global super rich "stash $11.5 Trillion in tax havens" "Of the worlds 72 major tax havens, 35 are linked to Britain, including the City of London (not London the City), which offers special treatment to non-residents" www.taxjustcie.net

11 Trillion = 1000 Billion, a Billion = 1000 Million (enough to feed the world perhaps)

"It is also a fact modern governments finance their day-to day-expenditure, not out of taxation as is commonly supposed, but by incurring debt which it is the function of taxation to repay. The power to tax in other words, is the security upon which the loans are raised, which is one powerful reason why compulsion must be used; for since debts in general can never be met in full, compulsion is the only way in which governments can ensure that their own liabilities are met in full, so that they must remain credit worthy" **Dobbs.**

Speaking on how this is so institutionally, Douglas suggests that governments maintain this position, simply because they (the people) are not the decision makers in the process. Although Douglas had a genius for economics his personal views are distasteful and selective.

Speaking in 1936 when it was mooted that the bank of England be nationalised. Eventually it was nationalised in 1946, delayed by WW2.It remained so until it was made independent in May 1997.

"The state and the banking system are very nearly one and the same thing at the present time and are wholly one in policy. While the Bank of England is a private bank owned by financiers, the Treasury plays straight into its hands, and the nationalisation of, for instance the Bank of England, would mean the transfer of the Treasury into the Bank of England rather than the transfer of the Bank of England into the Treasury **"**. Douglas

All that has occurred in 1997 is that the treasury was made independent into the Bank of England.

(for further views on the tax system see Appendix C & D)

4.4 Why are interest free loans not offered?

1) It is not a profitable venture for the banks and lending institutions

or

2) "In a democracy the governed have the right to consent but nothing more than that. In the terminology of modern progressive thought, the population may be 'spectators' but not 'participants' apart from occasional choices among leaders representing authentic power. That is the political arena. The general population must be excluded entirely from the economic arena, where what happens in a society is largely determined. Here the public is to have no role, according to prevailing democratic theory"

Chomsky (1998).

Democracy governs with a supposedly tripart identification; political, economic, and ecclesiastical (however you define ecclesiastical).Plato warned however that democracies can become an instrument against the people, speaking of a type of dictatorship. **Richards (Ed & Trans) (1966) Plato Republic**.

Aristotle believed making money from money was the most hated sort, and placing these two profundities together, it may be assumed that without public control of their own taxes the tripart system is in fact quadpartriachial, and resembles more a Plutocracy than a Democracy.

4.5 Dictionary definitions.

1) Democracy.

"A failing system of government, which like communism works in principle but fails in practice. ALL democracies end up serving the needs of rich interest groups and detach themselves from the populous. which in turn results in the majority of the people being governed by a minority. The current UK and US governments are both cases where a minority vote has put a leader into power against the wishes of the majority.”

(or)

“Taken from the Greek 'demos' and 'kratos' ('people' and 'power' respectively), it refers to the system of government in which the entire population effectively rules through a concentrated body which relies on the population's opinion as a source for its policies.

The French Revolution was sparked by ideals of liberty and democracy for all”.

(or)

“A form of government where the leader is chosen by popularity rather than ability to run a country.”

http://www.urbandictionary.com/define.php?term=democracy&r=f

(or)

a; a government in which the supreme power is vested in the people and exercised by them directly or indirectly through a system of representation usually involving periodically held free elections

b; a political unit that has a democratic government.

http://www.m-w.com/cgi-bin/dictionary?book=Dictionary&va=democracy&x=6&y=17

contrast with;

2.Plutocracy

1 : government by the wealthy

http://www.urbandictionary.com/define.php?term=PLUTOCRACY&r=f

2 : a controlling class of the wealthy

http://www.m-w.com/cgi-bin/dictionary?book=Dictionary&va=plutocracy

Without control of taxes, the supreme power then is only granted to spectate the controlling class of the wealthy.

Question 2 in the section of bank and finance questions has 98.% of banks and finance house's never having offered interest free credit.

Question 6 in the same reveals 37 % (rounded) of banks feel restrained from offering interest free credit, whilst 63% do not feel constrained.

If interested in taking the idea to the Government to introduce a change however only (3) 2.83 % of banks and finance houses felt they could do this, (question 7), compared with (50) 32.25 % in the construction companies, property developers and investors. (question 8)

An interesting comparison would be to ascertain the level of income/profits achieved by those last 50 who wish to raise the idea with Government, against those who did not.

The results seem to indicate that there is unwillingness on the part of the banks to enter into this arrangement, which would rely on the central bank (to them) allowing it first, and so passing on the benefits. This unwillingness however seems also to be tapered against the fact that banks and construction companies seem unaware that they could. The public naturally assuming not to think about it.

"Taxes are not levied for the benefit of the taxed."

Robert Heinlein

"You're not allowed to talk about planning in the West, its not allowed to exist"

"The guys in power aren't idiots, after all. They do planning"

Chomsky (2003)

5.0 Summary and Conclusions (Quantitative and Qualitative)

5.1 Dissertation aim

1.To discover if the construction industry, believes debt free loans would benefit the construction industry (as any other),and if the construction industry would prefer them.

2.To discover if interest free loans are possible.

3.To theoretically see if a new procurement model is achievable and desirable under the above criteria.

In order to achieve these aim's

5.2 Objective summary.

The aims above will be achieved by 1.comparing the historical cases for against the idea of how or what money should do and what it actually is.

This will be then compared to 2. what the construction industry itself thinks on the subject now.

3.Finally to discover if interest free loans are actually possible, will also involve collecting direct information from banking institutions.

What is a compelling factor in this study is that the Government already produce a source of debt free money i.e. MO

BMW lent MG Rover 427 million interest free in 2000, as part of the restructuring deal it then faced between Alchemy and Phoeni**x**.

Although this has not saved Rover, the principle point is made.

BBC news 15/04/2005

Out of 778 institutions surveyed **35.08 % or 273** Construction companies, Property Developers and Investors, Banks and Finance Houses (would) have said they would wish to raise the matter with the Government on the matter of a new procurement model.This is not just thinking it is a good idea, but proactive.

(1.8%) and (80.6 %c/pd/I + 1.8% b/f) = **82.4 % or 641** Construction companies, Property Developers and Investors, Banks and Finance Houses (would) have said they would like to receive interest free credit.

This model of finance/money taxpayer's wealth already exists = MO, in 2004 it was £44.5 Billion.

Clearly since it is not these institutions role to encourage or lobby for such ideas they are interesting statistics. In both cases it would take only one from each.

In this study although the figures as I presumed show a certain amount of reluctance to monetary reform, it is apparent that the qualitative feedback, as well as the quantitative, shows a certain amount of misperception about how simple it would be to enact. The public are unaware of the situation, obviously this is less so in construction, managing directors and small businesses, but even here the connection to their own money as tax being utilised to construction projects, does not compute unless there is a bank, or financial house to bootstrap the programme. Other attitudes are incredulous, amused or dismissive, although the majority like and support the idea.

There is a long history of theoretical thought on the subject, hence the need for also for a qualitative approach. Expanding out from a central idea the original point is lost in the theory in many economists writings. Debate surrounds the distinction between Government or a Private bank issuing a nations currency, and in either should it be issued at interest, originating as it does in taxes. The Survey suggests a majority (82.4% of which are on the borrower side), would like interest free money, it also raises the apparent awareness that Government can issue currency themselves, and the vast majority would like a new procurement model.(this aside from many wishing to know the context of the survey, which if studied does reveal that context plainly, as the majority realised)

A new procurement model like the one suggested would also serve well in LCD's, and other countries, which are less than LCD status and would help to boost economic democracy and create their new home grown employment.

As Hanley Economic Building Society (b/f218) in their questionnaire suggest, social desirability is the pre-requisite for funding in this manner and perhaps over a year or two, 150 or 200 houses (or more) could be built to monitor the model. As social desirability is also a qualitative subject (although a survey on this could be commissioned by a public overseeing committee), there is no reason why hospitals or roads could not be built and the system expand into all areas of public life.

Private land should be purchased at bare minimum cost (or schemes devised for the upkeep of a house or mansion, in return for free compulsory purchase). Land may be donated for “charitable reasons”. Land stocks could also be bought and as they increase, the cost of this land does not need to be factored into house construction as taxpayers via taxes, have already paid for it once.

Mr Prescott could then request house’s being built at £60,000.00, (£40,000 an acre) and be bought by the homeowner at £63,000.00. (Mortgaged as loaned without interest.). of course it could be much less. They would then own the land and the house

Environmental concerns could be answered by building traditional housing using mass produced methods even for say mud/ cob construction, which for the past 500 years have stood the test of time, and are the most desired of housing by many. They also (almost) fulfil building regulation demands. The material is in any case free (soil, water and straw and feet). These buildings also fulfil “eyesore” concerns of the countryside.(these are just a few ideas).

5.3 Conclusion

Mo (taxpayers public money) already exists and extending it, redirecting it reshaping it, would require no great effort.

"There has therefore been a convergence between, for example, the ways in which central banks and academic economists think about monetary policy, and in ways of tackling economic development" **Backhouse**

Given the fact that the government has earmarked £110 Billion for PFI's over the next 25 years, this has obvious implications (one of which £7.7 Billion approx at 7% in interest per year is enough to build a lot of hospitals, i.e. £4.4 billion approx million at 4%, on every Billion borrowed, once we times this by 110, and then multiply it over 25 years, we get a lot of potential infrastructure)

The reality is Trillions of taxpayers money will be spent over the next ten years, (a miniscule drop in the ocean to what used to be spent) therefore times the saving's i.e. tax, interest free to public works of £7.7 Billion by 1000 (trillion= 1000 billion) and suddenly the whole public sector looks very well funded. Reclaiming the Trillions lost in tax, also boost's the public sector enormously.

"The increased involvement of economists in government, have come to be seen as technical experts whose advice is essential to decision making" **Backhouse.**

This has increased since the Second World War, but why is it essential, everybody is potentially a "technical expert", and decision-making seems to be removed away from the public who should have their own "committee" to tackle economic development. This is more than a "Federal Monetary Authority" or "Currency Commission" as Suggested by Friedman, (although these would be also welcomed as subordinate) but a real peoples committee, with real members of the public.(See Appendix C)

Without such direct involvement into the heart of Government, it is not surprising that people feel like they are apathetic at General Elections. Without economic control it is essentially a waste of time voting as the same monetarist (neo-liberal and neo-conservative or whatever) policies continue at a distance from the public.

Agents assisting a new procurement model and Special Purpose Vehicle (SPV) based on interest free loans too the construction industry is of course electronic banking, a concept many economist's in early theories had not the advantage of. Inclusion of the receipts of Oil, Electric, Gas and others into the treasury for public benefit, and recycled without interest also swells the coffers enormously.

A further problem is motivation and access to heighten the awareness for change, which is to bring especially the 1st worlds Plutocracies, (this includes Britain and the USA) not to "democracy" status (as it is currently), which is only the skeleton of an ineffective machine, but to bring those Plutocracies to Economic Democracy Status, which is actual democracy.

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Banking reform 1, thesis

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(20/4/2005) 1) Barclays Bank telephone 0845 - 7555555 Customer services (via the Woollich) **2)** H.S.B.C. Customer services Manchester 0845 – 740 – 4404 **3)** Royal Bank of Scotland Customer services Edinburgh 0161- 236- 8585 **4)** Lloyds bank King Street Manchester.0845 – 0723333 (VIA Cheltenham & Gloucster) **5)** National Westminster 0845 – 6101 – 202 **6)** Allied Irish Banks, Manchester 0161 – 228 – 1000

Emails

EMAILFrom: PETER KELLY [mailto:*****@******.com] **Sent:** 16 February 2005 16:16**To:** Michelle De La Cour **Subject:** Channel

Islands government finance system

EMAIL From: "David Bailes" To: *****@******.com: Re: Fw: National debt statistics 2002, 2003 & 2004 out on 23.3.2005))Date: Tue, 8 Mar 2005 15:32:13 +0000

EMAIL From: <peter.Kelly > Date: 2005/03/23 Wed PM 04:16:52 GMT > To:enquiries@bankofengland.co.uk > Subject: FA.O. M,s Diana Davis

EMAIL From: PETER KELLY [mailto:*****@******.com] Sent: 07 April 2005 15:16 To: CCC Consumer Enquiries

Subject: 20050407/RMN031025/Kelly Student Dissertation)

Appendices.

6.0 Appendix A

Case studies

6.1 The Skye Bridge Mystery (Monbiot)

Banking reform 1, thesis

“Why have we paid £93 million for a £15 million bridge” ?

“This was the first PFI contract, built at the behest of the Conservative government in 1995, the private finance initiative was used as a procurement model as it was thought private companies were more efficient than public contractors. The traditional ferry was scrapped on the opening day of the bridge, making it a monopoly” (monopoly; an accusation also made against state funding, when it was under ‘Union control’).

“The logic was it would be rented back to the Government over a period of 27 years. After 9 years it would have reaped in £33 million from motorists if the islanders could afford to use it themselves at £5.70 each way (one mile in distance)”

“before the bridge was built, the government threw in £13m of sweeteners. Desperate to make its showcase project work, it spent £6m on building the approach roads (a few hundred metres of tarmac); another £3m on hiring consultants and buying land; and a further £4m as “compensation” to the consortium for the costs of construction delays and design changes (which, if you believe the government’s claims about “risk transfer”, should have been carried by the consortium itself)”

“The European Investment Bank lent a further £13m to help finance the bridge. This loan breached the bank’s own investment criteria. The bank’s purpose is to fund projects that boost the livelihoods of people in the less developed parts of Europe. It is legally bound to lend money only when “funds are not available from other sources on reasonable terms” and to support only those schemes that do not “distort competition”.

When people complained about the high price of crossing the bridge, they were offered cheaper prices, discounted but only if they bought books of 20”

“The discount for books of 20 tickets was financed by the government, not the consortium. So to help reduce the cost of the tolls (which would not have been levied at all had the bridge been built at public expense), the government has paid a further £7.6m. Now the tolls are being removed and the contract is being bought back from the companies by the Scottish executive at a cost of £27m. If we accept the consortium's account of how much it cost to build – £25m – we have paid for it 3.7 times. Even this could be an underestimate: independent engineers suggest that it shouldn't have cost more than £15m.(10)"

(http://www.monbiot.com/archives/2004/12/29/a-scandal-of-secrecy-and-collusion/) (Monbiot.com)

Figure 6.1 What is a PFI Transaction

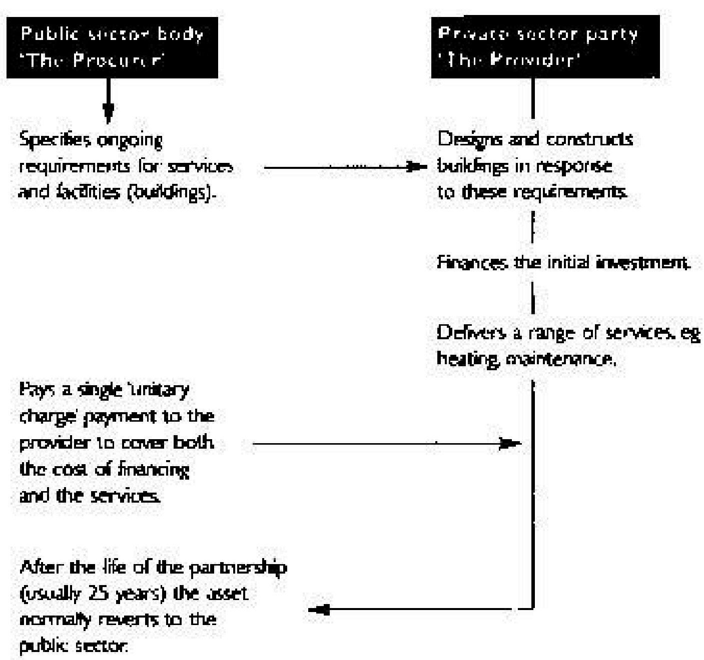
The providers' guide to the Private Finance Initiative

What is a PFI transaction?

Despite the level of jargon and political debate surrounding the Initiative, the underlying concepts of a PFI transaction are straightforward. In essence, all PFI projects involve the public and private sectors working in partnership to provide assets and services.

Instead of the traditional approach of the public sector paying for the asset upfront, under PFI structures the private sector develops, finances and maintains an asset which is used in the delivery of public services. In return, the public sector pays a monthly charge which covers both the repayment of the capital investment and the ongoing service costs.

The key features of PFI projects:



Akintoye ed (et al)

6.2 Jarvis

2004 and 2005 has not been a good year for Jarvis, especially the employees.

“One source said the firms finances were in a desperate state and estimating current borrowing to be at least £250 million. On this basis, he said “you are having to pay back about 7%, which is about £17 million a year. With a £500 million-turnover firm making 4 - 5 % margins, it doesn’t really stack up. Your living on the edge, aern’t you ?, you are working for the banks and not the shareholders”
Building magazine 12.11.2004

Shares fell to 15 p a share, and is thought to be at least £240 million in debt, is building tube lines, hospitals and roads.(including a £30 million Whittington hospital in North London), and in January 2005, was arranging a sale of its tube deals for “25 million to buy it a credit extension until march 2005, it has urged shareholders to accept this. Eventually after 14 of its contracts including schools were put on hold”. **Building Magazine 28.01.05**

Architects are suing Jarvis for £20 million in unpaid fees, Jarvis was able to sell its stake in its tube line for £147 million to Amey, it also raised £110 million in ‘re-financing’ from Natwest, Royal bank of Scotland and Barclays.This is supposed to draw a line under the problems of Jarvis, but the refinancing is still more debt ? **Building Magazine 4 February2005**

Only two weeks later Jarvis debt is bought by Bank of America, it was sold to them by Natwest, Royal bank of Scotland and Barclays (the syndicate).Bank of America bought the debt at the rate of 50 pence – 75 pence for every pound of original debt. The bank of America is thought to get a shareholding in the business, after it in effect wrote off up to half to a quarter of its debt. Jarvis up to 2003, had a market capitalisation of 1 £Billion, but did not recover from the potters bar rail crash in May 2002.Alan Lovell has been awarded £450 million bonus as a reward for concluding these transactions. It is thought that Jarvis still owes around £60 million in advisory fees. **Building Magazine 18.February.2005.**

Jarvis used to employ 100, 000 staff, the figure with relocations is expected to drop to 3500 with redundancies (Building Magazine 7.January 2005), and Jarvis in April 2005 have been forced to borrow a further £17 million to stay afloat, bringing its total debts to £297 million pounds **Building Magazine 1.April. 2005**

Interestingly the potters bar crash under railtrack, a firm which privatised the railway system, was on the verge of effectively being nationalized (but not in name)

“Network Rail, a not-for-profit company controlled by train operators, rail unions and passenger groups, has promised it will be "dedicated to the interests of rail users".

Unlike Railtrack, any profits will be ploughed back into the business rather than being split between shareholders as dividends.

And management incentives will be tied to performance targets such as safety and punctuality rather than profits.” http://news.bbc.co.uk/1/hi/uk/2084400.stm

“The current government seems to understand why our railways are failing, so why are its proposed solutions so timid? Soon after taking office, John Prescott rejected the idea of re-nationalisation, on the grounds that it would cost some £4 billion. Yet now he proposes to pour £60 billion into the privatised railways, while reclaiming only a limited amount of regulatory control. It is hard to see why the new public investment should not be reclassified as equity, endowing the government with a controlling financial stake in the network. It is still harder to see why it wants to do to air traffic control and the London Underground what the Tories did to the railways.

Banking reform 1, thesis

By loading the problems of our railways onto the shoulders of one man, we relieve the government of its responsibility to reclaim real public control over the way they are run."

http://www.monbiot.com/archives/2000/10/19/a-broken-

For some, PFI and the Jarvis affair, is the fact that Jarvis is going bust shows the system is working?.

"A famously bad PFI contractor is going bust. So the system is working ?"

Economist December 18th 2005

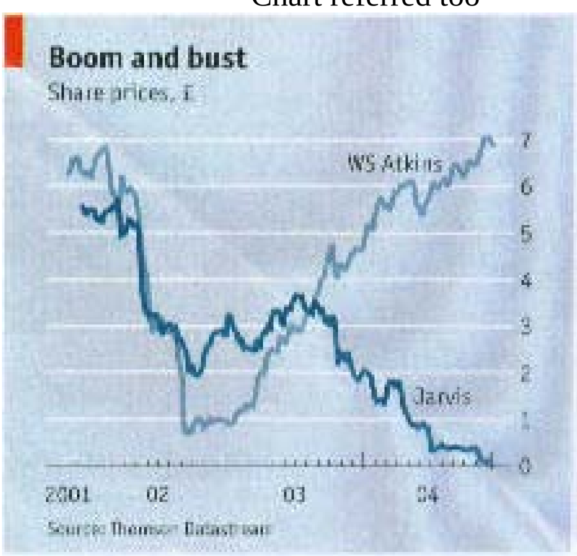
"The whole point is to transfer risk. When civil servants make mistakes, taxpayers suffer, but the bills for Jarvis managers dreadfully cock-eyed forecasts of costs and revenues have mainly gone elsewhere"

"Its shareholders have lost almost all their money (see chart) and it banks stand to lose plenty too"

Economist December 18th 2005

Chart referred too

Figure 6.2 Boom and Bust



Economist December 18th 2005

Of course shareholders do lose their money, and in essence shares are themselves an inflated economy of credit.

A company's working capital is in a sense all they are worth when they float. Shares always exceed this.

As for the banks losing money, it is clear that the loans Jarvis requested made that money exist, it did not exist before. When Jarvis received payment or income the interest on the loan was money the banks received. As they will probably receive £30 million in interest, they have in fact made money. The taxpayers lost money as soon as the loan was made, and now they have lost the asset of the company on top of this. The taxpayers will continue to lose money as the loan is added to the national debt with interest, which every year their taxes will continue to pay.

As PFI increases its share of the market,

"and the government does not try to claw back the profits, it will cut the cost of borrowing for primary PFI, which will become 'significantly cheaper', according to Tony Malin of star capital. That would mean a better deal for taxpayers, and one which the most diehard opponents of PFI will find it hard to quibble with"

Economist December 18th 2005

Obviously this notion of cheaper borrowing taken to its ultimate conclusion of zero, would surely make a better deal for taxpayers, who would surely also not quibble with that.

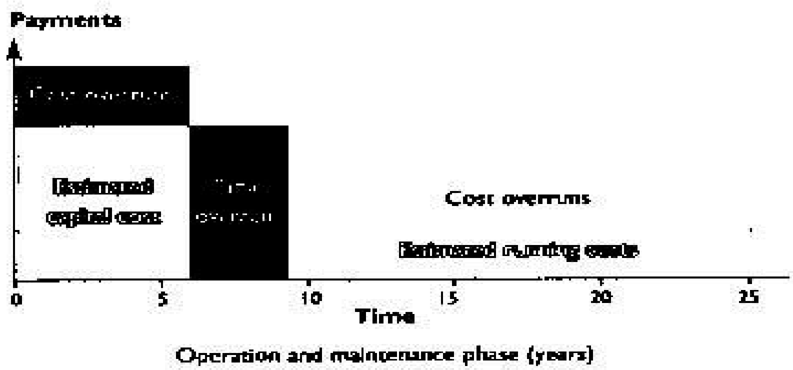
Figure 6.2,1

The providers' guide to the Private Finance Initiative

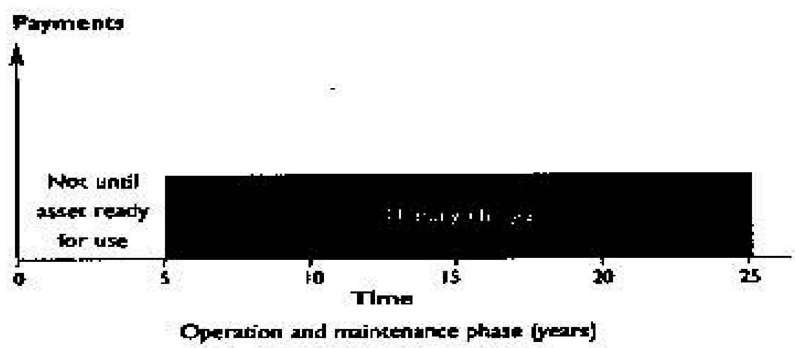
Payment arrangements

In PFI contracts the provider does not receive a payment until the facilities are available for use. This contrasts with the payment profile of a conventionally procured project. The diagrams below show the difference in payment profile between conventionally procured projects and PFI projects.

Conventional procurement



PFI procurement



Akintoye ed (et al)

6.3 .Bath and North East Somerset Council

“Despite six years and £40 million and many public punch ups between the council, Mowlem and Grimshaw, to build a smallish public leisure amenity in bath. And its still not built”

Originally costed at £13 million, the blame has been cited by Nigel Griffiths as the Councils as the project has “an award winning architect, an internationally recognised contractor” “and the council” he says “I know who I think is the weakest link” **Building Magazine 11 February 2005**

Building Magazine did point to a naivety on the part of the Council in that it did not use a standard JCT contract, but it also mentioned that the construction suffered from a continually leaky spa- room floor, and peeling paint, which was not admitted as the fault of the contractor. Architects re-costed the design from £13 million to £22 million, but even this was the cause of an argument.

As local authorities come under the recent changes 2000 -2001 in capital finance regulations, they can opt for PFI. However nationwide it may only shift a larger debt around elsewhere.

Whoever was to blame (and professionalism is not ideological), the money still had to be borrowed from taxes (Government) at interest.

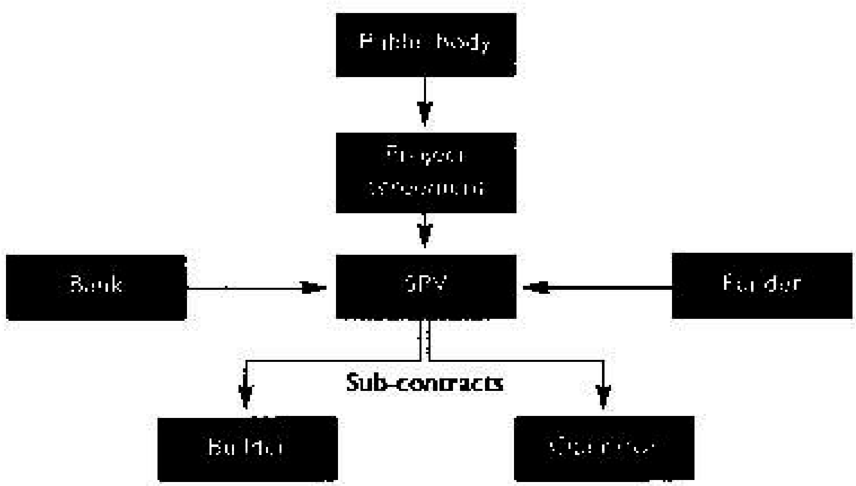
Figure 6.3 PFI Delivery model

The providers' guide to the Private Finance Initiative

- **The extent to which the facility is used** For the vast majority of PFI schemes, the provider is paid regardless of whether the facility is used or not.
- **General inflation risk** The price paid to the provider is typically linked to inflation, and is subject to the same inflation risk as future maintenance or other costs in a conventional procurement.

PFI delivery model

PFI projects are rarely delivered in their entirety by a single provider. Generally a consortium is formed to deliver the services. In order to manage the input of the consortium, members jointly create a Special Purpose Vehicle (SPV) or Special Purpose Company to deliver the projects. The SPV structure is shown below:



Akintoye ed (et al)

6.4.Buidling magazine interviewing Peter Dixon (in charge of £422 million PFI University College London also Chairman of the Housing Corporation) and Professor Allison Pollack author of "NHS PLC".with a contribution from Julia drown M.P. (Contrasted against the academic theory of current models in financing and operation)

To begin Professor Pollack mentions that "PFI is bad business; the state ends up paying more for its finance than it would on the Bond market"(as opposed to not paying for its finance at all, except for administration charges)

Regarding the familiar criticisms of the PFI/PPP system "None of this is exclusive Pollack terrority. The centre for policy studies, a right – of - centre think tank, recently published a booklet called *Reforming the PFI* that rehearses the same criticisms, although, although it wants to amend rather than eliminate the initiative" **Building Magazine 14th January 2005**

"Given the fact that the government has earmarked £110 Billion for PFI's over the next 25 years, this has obvious implications" (one of which is at £8000, 000,000.00 at 8% in interest per year is enough to build a lot of hospitals, i.e. £4000,000,000.00 million at 4%, on every Billion borrowed, once we times this by 110, and then multiply it over 25 years, we get a lot of potential infrastructure)

Building Magazine 14th January 2005

How PFI/PPP works in practice since its beginnings in 1992.

“Practically, procurement through PFI has presented advantages to government departments in terms of accounting rules, which allow expenses towards PFI to be put off current balance sheets” “ PFI appeals to some public sector clients as it allows them to retain overall control over assets and core activities, while the private sector is responsible for the provision of supporting services”

Akintoye ed (et al)

“In a PFI transaction the private companies which take on the obligation to build and manage the facility usually only provide a small part of the projects capital. Most of the capital is borrowed from the banks and other financial institutions. The project loan is later recovered when the client starts paying for the service provision This process effectively removes most duties relating to the raising of capital and the payment for debt from the public sector”

Akintoye ed (et al)

PFI is working like a mortgage in that;

“the public sector pays a monthly charge which covers both the repayment of capital investment and the ongoing service costs”

BDO Stoy Hayward.

PFI projects rely on the SPV (special purpose vehicle) to be an independent company created by the private sector partners to the project, they usually provide a part of the working capital as equity either share capital or bank loans.

”The lender which usually takes the form of senior bank debt, must understand how the projects works in order to assess the risks associated with future revenue forecasts” “Equity is the lowest ranking capital layer of a PFI project, and in case of a project failure, the equity investor is likely to bear the highest risk of loss”

Akintoye ed (et al)

Other financing methods are fixed income products such as bonds "Interest paying bonds are issued by the SPV, which are sold on the financial markets. Payments from the public sector are used to pay the interest on the bonds"

BDO Stoy Hayward.

Banks have extended the length of maturity beyond the traditional 20 – 23 years, there are fixed rate financing products available from pension funds and life insurance companies, and some commercial banks provide floating rate financing. With sponsors equity (including raising shares as the equity) "a number of differing financing options are now available such as the bond market, commercial lending through bank debt, leasing, mezzanine debt and mortgage finance" "Large projects can be financed by a mixture of bank loan, fixed rate or index-linked bonds, sometimes provided with the international project finance banks. The choice of financing method for a particular project depends on its specific requirements, the project risks, the amount of equity available, and the perceived quality of the consortia"

Akintoye ed (et al)

Mezzanine debt arises when there is a gap between sponsor equity and senior bank debt, financed by other parties outside of the SPV, as a third capital layer. Other methods in more recent times are 'comprehensive credit facility' which a single point of reference to the SPV and the client and "secondly they, can increase flexibility by allowing switches between different financing options and types of loans"

Akintoye ed (et al)

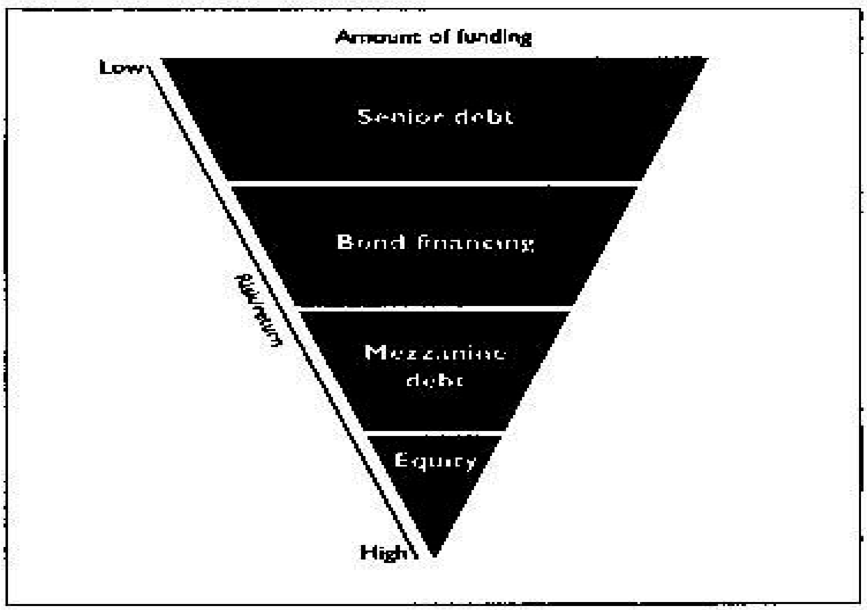
"Mezzanine debt has lesser rights than senior debt and, in the event of SPV failure, would have a lower level of claim over the assets. This is a more expensive form of bank finance."

BDO Stoy Hayward.

Figure 6.4 Risk and leverage indicator

The providers' guide to the Private Finance Initiative

A leverage structure



Case study of leveraged finance

A London borough recently procured a new secondary school and accompanying leisure centre using PFI funding. The total capital value of the project was estimated at between £13m and £14m and the Authority made available two existing brownfield sites. Bidders were required to build the new school/leisure centre on one site and could use the other site for residential development.

The contract was for 25 years and the Authority anticipated a unitary charge of £1.4m indexed in line with RPI. Any third party income derived from use of the leisure centre and school buildings outside of school hours would accrue to the bidders.

Akintoye ed (et al)

Return to Peter Dixon and Professor Pollack and Julia drown M.P.

Professor Pollack says of the Royal Infirmary hospital in Edinburgh, built at a cost of £250 million and a 24% cut in beds in examining patients complaints 'the beds never get cold, at times we were shuffled like cards in a pack', she fears it wont be long before charges are introduced for anaesthetic.

An opponent of Professor Pollack Julia Drown, Labour MP for Swindon South says "PFI has a future, and it encourages consortiums to take clients more seriously because of the long term relationship involved. In the old days, says Drown, construction companies simply ' grabbed the cheque and ran away' she continues saying 'it is in their interest to get it right first time, as they must handle the maintenance'.

(Back to Profesor Pollack) Professor Pollack views are based on the founding principles of the welfare state; 'the freedom from fear and want" also shared by William Beveridge and Aneurin Bevan

The founding fathers of the NHS.

Building Magazine 14th January 2005

NHS AND BUPA the same founders ?

"1940s - BUPA began as The British United Provident Association in 1947 to preserve freedom of choice in health care. It believed that with a National Health Service being introduced a year later, there would still be a need for a complimentary service enabling people from all walks of life to afford the benefits of choice in where, when and by whom they were treated"

http://www.bupa.co.uk/about/asp/history/index.asp

Bevan as a MP was instrumental in passing an act of parliament in 1946, paving the way for the NHS, in response to the 1942 Beveridge report on the need for a welfare state. Beveridge was also instrumental in re-organising BUPA as a complimentary but separate form of health service for those who could afford it, they could of course also go to the NHS.

Beveridge stated in his report

1. To ensure that everyone in the country "irrespective of means, age, sex or occupation" should have equal opportunities in securing the medical care they needed.

2. To provide a comprehensive health service covering all aspects of preventive and curative medicine.

3. To divorce the care of health from questions of personal means and to provide the service free of charge (apart from certain possible charges in respect of appliances).

Ministry of Health (1994) A National Health Service, White Paper, HMSO

with Bupa private health options also included PPP and WPA, and today there are many more, raising the question as to why, agencies taking over parts of the NHS or running them totally in new partnerships are needed now.?

Peter Dixon.

With doubts on PFI procurement Peter Dixon currently in charge of the £422 million PFI University College University London Hospital, and also Chairman of the Housing Corporation still has however many concerns

'The juries out on whether or not it is expensive, but the PFI is the only game in town' he says

"medical technology and therefore the techniques of treating illnesses means that hospitals must evolve, and that is something which those 35 –year PFI contracts and those risk-averse PFI consortiums may have difficulty with" Peter Dixon continues 'PFI is very specific, very structured over 35 years. Whatever we want to do in ten years time, were going to have to renegotiate" this says building magazine is quite an admission, as it implies that the model for our major construction projects is inappropriate.

'We ought to think about the housing association model- banks lending against the bricks and mortar and operational income' 'Housing associations have borrowed about £30 Billion and no bank has ever lost money. Trusts would not have a 30 – 35 year timeframe during which they could not change things'

Adding that changing the colours of paint was impossible under PFI's strict rigid framework 'if you wanted to change things you would have profitability issues previously you would just go over budget'.

This raises the issues of whether people as patients are a profitability issue, and if they are inflexible under the rigid framework over 25 – 35 years.

Building Magazine (14th January 2005)

"The privatisation of state owned assets between 1985 and 1990 raised £80 billion, which was used to subsidise public spending" **Rowbotham** (1998)

"The 1996 privatisation raised £2.1 billion for the Government, and British Energy accepted responsibility for all its nuclear liabilities (then £5.6 billion), including the disposal of spent nuclear fuels and decommissioning of power stations. in September 2002 British Energy declared that it might no longer be able to meet its liabilities as they fell due. The Government granted a £410 million credit facility to provide working capital and to allow British Energy to stabilise its trading position. In October 2003 British Energy formally agreed a restructuring deal with its key creditors and the

Government, under which the DTI has assumed £1.7 billion of British Energy related liabilities and is ultimately exposed to British Energy's remaining £3.9 billion liabilities.

The taxpayer has now been burdened with at least £1.7 billion of liabilities."

The United Kingdom Parliament "Committee of public accounts" Press Notice No. 37 of Session 2003-04, dated 9 September 2004 available http://www.parliament.uk/index.cfm

"Ironically, even under privatisation the rail companies will still need government subsidies. The franchising system is designed to give them the best of both worlds: introducing the discipline of competition, that is, encouraging them to cut lines and jobs, while maintaining government subsidies to those businesses that struggle to make a profit."

http://pubs.socialistreviewindex.org.uk/sr196/sagall.htm

'When there is a limited amount of public-sector capital available as there is' the Health Minister Alan Milburn announced in July 1997, 'its PFI or bust' **The Guardian Newspaper (4th July 1997)**

These items above show the cross-party allegiance to PFI/PPP over two political parties in the last 14 years. It also raises a riddle as where the public-sector capital has gone? and can we find it again.?

"PPP deal for Tube has cost taxpayers £1bn, MPs say.

Part-privatisation of the London Underground has left the taxpayer almost £1bn out of pocket, a report from MPs revealed last night." **The independent 31March 2005**

Banking reform 1, thesis

"Amongst the many costs of the Private Finance Initiative is the transfer of control and ownership of the nations critical infrastructure to private business, whose interests are often more wholly distinct from those of the electorate. Complicated and confidential, it has been able to penetrate areas of public life whose overt privatisation would be politically impossible. It has enabled companies to harness the great untapped resources they coveted, sustaining their share prices by turning public capital into private cash. The purpose of the Private Finance Initiative is to deliver the assets of the state to the corporations" **Monbiot**

"The health service's budget has doubled over the last eight years.this has pushed total health sending up to 8.4% of GDP, and it's due to rise to 9.2%- higher than the current level in continental Europe, though lower than in America- by 2007-08" **Economist April 23rd 2005**

Speaking of the Labour party, although changes introduced by the Conservative party the Economist also points out.

"It has turned to the private sector, contracting out more work and more NHS work to the independent firms. This landmark decision has buried the dogma that public financing of health care must mean that it is also publicly provided. Already by the end of this year, private providers will carry out around 4% of publicly financed elective treatments. Labour says it wants this share to rise to 15% within a few years" **Economist April 23rd 2005**

Therefore how can the health's service budget be rising (publicly) as and simultaneously more work is being given to the private sector, surely the budgets should be reducing? and how much taxpayers money is then pumped into the budget at interest ?.Why were so many patients admiring the NHS in the 1960's? And why is it such a shambles now?.

6.5 Sydney Harbour Bridge

These problems are not new.

In 1932 the Sydney harbour bridge was built at a cost of $16 million Australian dollars.

Its toll averaged $800,000 annually. By 1955 $13 million still owed on the bridge, and Interest payments had totalled $14,534,000.

Hence instead of costing $16 million it had in 1955 cost $27.5 million, and £13 million still owed. The toll receipts did not seem to reduce the debt in any was despite it being $800,000.00 annually. The debt amidst public outcry was eventually paid off in 1988.(56 years later)

“This is a typical example of how debt finance works. Public undertakings are paid for over and over again. The people are taxed and re-taxed for them over the years from generation to generation, it’s all so unnecessary”

Institute of Economic Democracy.

In 2001 the toll was to rise further yet again.

http://www.abc.net.au/am/stories/s443757.htm

Whether you prefer or dislike PFI/PPP 96.22% of all the money in existence in the country in 2004 was borrowed into existence as debt whether it is a bond, senior bank loan, mezzanine loan, fundingg with or against equity (shares themselves being a loan scheme, which can rise and fall very quickly) or Government (public) funding. The only true private finance is individual or syndicate savings, although even this was borrowed into existence, even though it has been accumulated and stored.

(all money is created, it is not pre-existent in a rich persons or institutions account waiting to be transferred, it did not exist before it was requested as a loan by any institution or person)

The other 3.78% is created by the Government debt free, distributed as cash and paper money. Therefore all money used in construction is debt before it received and/or spent regardless of the type of financing or how the scheme is run. The interest attached to the economies money, is in itself an amount to run hundreds and thousands of construction projects, and the money currently used has its origins in public taxes.

If the Government (and this type of financing occurs across all shades of political thought and parties) issued credit without interest to construction schemes such as PFI or any new model, the savings to industry and to the public would be immense. This could also be extended to the existing traditional procurement models.

Figure 6.5 PFI tender/bid example

Three bids were received. Each bidder submitted a detailed design proposal, a tendered unitary charge and proposal for raising third party income. The tendered prices were as follows:

	Bidder A	Bidder B	Bidder C
Capital value of construction	£14.5m	£13m	£14.8m
Tendered unitary charge at year one prices	£1.8m	£1.3m	£1.7m

The debt structures and returns of each of the bids were as follows:

Proportion of funding	**Bidder A**	**Bidder B**	**Bidder C**
Senior debt	88%	90%	90%
Mezzanine debt	9%	9%	9%
Equity	3%	1%	1%
Returns on funds			
Margins on senior debt post construction	1.18%	1.10%	1.18%
Blended mezzanine debt/Equity	16%	15%	15.5%

Bidder B was successful because of the combination of their innovative design and the lowest unitary charge. They were able to achieve such a competitive price by using a combination of the lowest construction cost and a very lean debt structure which maximised the use of senior and mezzanine debt.

Akintoye ed (et al)

7.0 Appendix B

7.1 Alternative methods of finance. (Introduction).

7.2 Channel Islands & Simple loan sanctions.

7.3 Alternative methods of paying a mortgage, for individuals or construction companies (anyone) and PFI/PPP

The method of reducing the principal amount with monthly repayments rather than just the interest.

7.4 Previous Governments issued credit.

7.5 Proposal by Professor Soddy 1933

7.6, 7.7, 7.8, 7.9

Other ideas and proposals

7.10 New Government proposals for affordable housing 2005

7.11 Rowbothams Compensating money supply

7.0Appendix B

7.1 Alternative methods of finance.

Many examples of debt free financing exist, and some of those have been suggested by the replies from questionnaires sent to support this dissertation, most notably from the Co-operative group (see questionnaire C/PD/I/90), who do not borrow in the open market, but raise the capital themselves, but who do nevertheless build in a nominal interest sum of 6% into their financial models. This figure being the loss of interest had they not spent the money. This then avoids debt, but it passes on the interest as if it were a lending institution itself, they do add that a government backed reduced interest scheme would be very attractive to less fortunate members of the retail or construction industry.Student loans are an example, although credit with interest is priority, not education.

Of course the Co-operative group are not the government, and are not supervising, managing or redistributing our taxes.

Many banking institutions and construction firms would either like to offer interest free credit, and/or receive it, according to the questionnaires which will be examined in greater detail later.

The concept of Interest free credit appeals to the construction, as 82.40 % of construction firms and property developers contacted in the attached survey said this is an idea they like. (but alas only 1.8 % of banks agreed).100% Money backing lending without interest, would also cut taxes in time

A lot of these ideas however suffer a lack of public control or influence.

The concept of interest free credit over a period of one year or three years is also familiar to the public. This can apply to credit card purchases, or higher purchase agreements on furniture or cars, here are a few others.

7.2 Channel Islands & Simple loan sanctions.

One example concerns the funding of debt free infrastructure in Britain, which has existed for decades.

The Channel Islands have many times funded projects without debt. Jersey as the largest Island was contacted by email to Michelle De La Cour, Private Assistant to Ian Black Sates of Jersey treasurer; she passed the query on to Ray Foster Head of Corporate Capital States Treasury on the Channel Islands
here are my complete emails and replies

My wording in black, **all replies in green.**

From: [mailto:*****@******.com] **Sent:** 16 February 2005 16:16**To:** Michelle De La Cour

Subject: [May be spam] Channel Islands government finance system.

Hello Michelle.

Further to our telephone conversation today i will outline my enquiries for you.

I am a Building Surveying student at Salford University and i am currently researching a dissertation.Part of the dissertation is financing for traditional and pfi/ppp projects currently employed for construction and mainly public projects.

I am also interested in looking at alternatives to the mainland system such as the "lending to borrowers" system the Channel Islands use which although is credit, it is not classed as a national debt and gradually the extra funds or created money to fund such projects(which may be outside of the tax budget for that year) are cancelled out by subsequent taxation in the following years.

I am also interested in the criteria the jersey administrators employ to decide if a project is worth pursuing i.e.

1) is the project needed 2) are materials readily available 3) do unemployed workers need employment

Essentially the rationale of the monetary economy being subordinate to the "real" economy is my interest, and Jersey,s interesting method of financing projects is one which should be admired.

To be able to quote sources etc i would need a booklet or essay or pamphlet which outlines the simplicity of this system, and any website which may also help.

I hope this is not too much trouble for contact details please see below;

Mr Peter Kelly

Reply from Ray Foster Head of Corporate Capital Jersey States Treasury

Hello

Sorry for not getting back to you sooner.

I assume from your e-mail that you are referring to the way the States of Jersey has funded some capital projects through what has been called 'loan sanction' - in effect, internal borrowing and

repayment from future years revenues.

The Public Finances (Administration) (Jersey) Law 1967 (currently in operation, but soon to be replaced) does not allow the States to commit funds more than one year ahead. This means that, in effect, a large capital project must be fully funded when a contract is entered into even though expenditure may occur over a prolonged period.

As a result, should the States undertake, for instance, a school project costing £25m and lasting 3 years, the full sum must be inscribed into the capital budget in the first year, leaving limited

funding for other projects. In the 1990's when States finances were plentiful (before my time!), it was agreed that the capital programme budget for the first year could be inflated to meet the full costs of the project - in practice, a transfer from the States Capital Fund - with repayments made to reimburse the Capital Fund in future years,

e.g.:

School Project £25m; 3 year loan sanction; £50m annual capital budget:

Capital Budget	Year 1	Year 2	Year 3
School - Loan Sanction	£8m	£8m	£9m
Other Capital Works	£42m	£42m	£41m

Total Capital Budget	£50m	£50m	£50m
Cash - Capital Fund			
Opening Balance (say)	£100m	£83m	£91m
Allocation from revenues (say)	£50m	£50m	£50m
Allocation to Capital Budget	(£50m)	(£50m)	(£50m)
Loan Sanction Adjustment	(£17m)	£8m	£9m
Closing Balance	£83m	£91m	£100m

As you can see from the above example, this form of internal borrowing can only be applied if sufficient funding is available in the Capital Fund. In recent years, the Capital Fund balance has reduced and the current Finance and Economics Committee will not approve new loan sanctions. The use of loan sanctions has the effect of increasing (and then reducing) the workflow to the local construction industry and, as such, impacts on local inflation and employment.

Unfortunately, I am not aware of any published literature (internally or externally) which details the use of loan sanctions.

With regard to your second point, the States has a developed code of practice for the control of capital projects, which requires major works proposals to be supported by an initial project assessment which provides the 'business case' and, if approved, a

full feasibility study. The initial project assessment is also the trigger for the release of funds to undertake the feasibility study (which could be up to £100,000, depending on the size and nature of the project involved). Attached are guidance notes for the production of the initial project assessment and application for feasibility study funding, which may be of use -

<<Guidance Note 4 - Concept Brief and Feasibility Study Funding Application.doc>>

I trust that the above is of assistance and I wish you well in your dissertation.

Regards

Ray Foster

Head of Corporate Capital

States Treasury

2ND Email to Ray Foster Head of Corporate Capital States Treasury (his reply in blue)

Dear Mr Foster,

Many thanks for the information which is invaluable to my research.

Briefly to clarify a few points,

1) are you saying this loan sanction has now ceased at least until some future point. **Yes, the Finance and Economics Committee has**

stated that it no longer supports this route as a means of providing funding

2) do you feel taxation increases in the next tax year following a capital project approval (and subsequent years), either direct or indirect taxes (does anything give in services or less important items), i understand your figures in the example provided, but i feel a deeper explanation is needed.

The sums allocated to capital form part of the States overall budget - the current policy is to achieve a 'balanced budget' approach and expenditure 'growth' is set within an overall target figure (currently 2.5%, based on local inflation forecast less 1%). If pressures are such that revenue expenditure growth exceeds this figure (e.g. pay award's are higher than forecast), the allocation to capital is likely to be reduced, and hence schemes deferred or reduced in scale/scope before additional taxation measures are implemented.

3) To clarify these projects were completed without debt. **The States generally undertakes capital projects from existing resources, without raising external debt finance. There are a few exceptions, mainly in the States trading areas where the organisation is more commercially focused, however, this is a very small element of the States overall activity.**

Many thanks again.

Yours Sincerely

This is clearly an alternative method to monetarism, and the “multiplier effect” model the banks employ, itself presented by the (MO,M1,M2, M3 & M4), MO – M4 money supply system.)

7.3 Alternative methods of paying a mortgage, for individuals or construction companies (anyone) and PFI/PPP

The method of reducing the principal amount with monthly repayments rather than just the interest.

If we assume a lender borrows £100.000.00 over say 30 years at 14.5 % interest (not uncommon in the high interest years of the 1980s and 1990s) with a monthly repayment of £1,224,56, it would be a full 12 years and eight months before a substantial part of your monthly repayments begin to pay off the £100.000.00 principal amount.

In fact after spending 12 years and eight months paying £1,226.56, and on to the full 30 years you would have paid £180,265.82 in interest alone, leaving approximately £92, 908 76 still to pay. This means you average £26,590.00 in repayments for every £1000.00 you borrow.

Every month of the first 12 years and 8 months the principal amount of £100,000,00 is chipped away by approximately £16.42, and it is very easy to see if you increased your payments by £16.42 in just one month you will save a monthly payment of £1,224.56 in the future and also reduce your term from 30 years to 29 years 10 months.

Of course you could pay more than £16.42 say £32.84 extra a month and so on.

You would need to arrange this with the Bank manager or mortgage broker, yet they will be reluctant to let you do this. A second option would simply to send the first payment of the £16.42

with your first months interest payment in one cheque with a covering letter, registered post explaining all future payments will use this arrangement. This first payment strategy beginning with the payment made on the day the borrower starts to charge interest on the mortgage, (and it has to be that very day) can be set against the principle reducing the term of years and the interest.
The vendor may try to discourage you by making the £100.000.00 mortgage, a £98,776.00 mortgage instead,(i.e. minus the first months payment of £1,224.56) the reason is this first payment made immediately will save you 54 months (4.5 years) in payments and £64,900.48, remember only £16.42 is made to the principal amount every month in the first year so an immediate payment instead of deferring a month, saves all that burdensome interest which forces you into wage slavery and increased debt.**Hutchinson (see also Avanzini)**

This simple explanation of interest payments on a mortgage, is also applicable to methods employed by PFI/PPP, and in effect Interest free loans to a new procurement model would save millions.

7.4 Previous Governments issued credit.

The UK Government has itself many times over the last 300 years, simply issued treasury bills as credit, this of course be done with or without interest attached, it can then be taxed back and cancelled out, or it can be a straight swap for an asset, without debt for taxes. The tax can then be written off. Alternatively it could be created as a national debt but also without interest as it is taxpayer’s money. Like the current national debt it would be a total that would not attach interest year in, year out and as it truly issued by the Government, it could be written off at any point, the procurement construction project being the asset which has accumulated and owned by the country.

Banking reform 1, thesis

The easiest method is simply to extend the principal of MO debt free money currently 3.78 % of total money supply, and simply let the Government Issue as opposed to the Bank of England.
The Government issued Treasury bills in 1816, 1817, 1822. etc

In 1864 Gladstone in a parliamentary debate on monetary reform essentially to break the banks monopoly on minting interest-bearing notes, commenting when he was Chancellor of the exchequer "I began to learn that the state held, in the face of the bank of England and the city, an essentially false position as to finance"
Gladstone added "The state ought to get into its hands the whole business of money issue, and that business should be taken at the first reasonable opportunity" **Rowbotham (1998)**
The Bank of England's charter "The bank hath benefit on the interest on all monies, which it creates out of nothing", this includes taxes being made ready to bolster the arrangement as it does today.

President Lincoln in 1865 "He proclaims the right and duty to create and issue such currency, and supply this to the economy free of debt , through government spending, thus reducing the need for increased taxation." President Lincoln. "Monetary policy"
And after proclaiming he did indeed issue debt free money known as greenbacks.
Lloyd George in 1914 issued debt free money **Rowbotham (1998)**
(these last two examples came about as a result of war Crisis, but could be issued at any time)

All the examples have occurred since the reformation. Interestingly President Jackson in 1835, paid off the American national debt by issuing government treasury bills.
Challenges against the system of monetarism, and of national debt were also made in the 1930s, by introducing a new system.

7.5 Proposal by Professor Soddy 1933

"To initiate the system some £2,000,000.00 of national interest bearing debt should be cancelled and the same sum of national money (non- interest – bearing National debt) issued to replace the credit replaced by the banks.The taxpayer would thereby be relieved of the payment of £1,000,000.00 a year on purely fictitious loans.This annual interest is a payment by the taxpayer to bondholders for money lent to the state, and it is transferred under the existing system to the banks for their services in creating new money as bank credit and conferring it on bond holders against their bonds as collateral security.The taxes are thus paid to the bank for doing what the taxes were imposed to prevent being done, namely the increase of the currency. Otherwise there would have no reason for the state to borrow at interest if it had not wished to prevent the increase of the currency"

Professor Soddy

7.6 However the taxes could also be paid directly to the treasury under this same idea.

7.7 This has been expanded on further by taking this suggestion and turning the national debt into currency and/or equity. "Debt investments are investments where the amount of money invested is fixed and must be returned with interest. Equity investments are investments where money is exchanged for a fixed proportion of the ownership of the business or property in which the investment is made. In the case of debt investments - lending - taxpayers will provide the lender with courts, police, bailiffs and, if necessary even prisons, to help the debt investor correct his or her error in judgment. That is not the case with equity investments. Equity investors must shoulder the full burden of their own errors in judgment. They can lose the total investment.

The appearance of safety is enhanced by the legal preferences given to lenders. If the investment fails, the investor will have made an error in judgement and, regardless of which type of investment the investor made - debt or equity - the same error in judgment will have been made.

Why should taxpayers spend their hard earned money to help investors to correct their own errors in judgement? In particular, one must ask, why should taxpayers spend any money to support investors whose chosen method of investment produces all of the unwanted side effects we have seen above? It is a waste of taxpayer's money and it encourages the production of these unacceptable by-products. The government further encourages debt investment by allowing the interest costs of businesses to be deducted before the calculation of their taxes. Dividends must be paid out of the profits left after they have paid taxes. Individuals cannot deduct interest costs in the same way. Therefore, individuals pay a disproportionately higher level of taxes than they ought and companies pay less than they ought. Once again the banks have succeeded in getting preferential treatment for debt investment and the taxpaying citizen ends up paying the price."   **Tomlinson**

7.8 Fisher argues that the Government not the Bank, create credit by introducing a cash currency (created without debt), called a "100 % money scheme".

Professor Fisher gained his PHd at Yale, and developed a formula to help classical economist's unite with monetarist economist's inflation theory, followed by the i.e. $MV = PT$ (although if M and T are controlled by the few then they also own VP)

Resurrection of the quantity theory of money made him renowned.

His ideas changed sharply when he suffered huge losses in the 1929 Wall Street crash, as he advised that this would not happen, his reputation was severely marred after the crash. His ideas turned to the problems of debt and debt based financing or capitalism, producing "Booms" and depressions", "The debt-deflation theory of great depressions" and his final work "100% money". Fisher (1936) The latter as already explained introduced the notion of a 100% reserve banking system. (i.e. having 100% of funds to borrow or invest)

http://www.economyprofessor.com/theorists/irvingfisher.php

7.9 A solution, which contrasts with the current almost nil requirement of the current system

Irving Fisher was not the only one at the time advocating that the government issue our money supply. Government issuance of the money supply was also advocated by the Chicago Group of economists. This group was comprised of Professors Harvey Simons, Lloyd Mints, A.G. Hart, Frank Knight, Garfield Cox, Henry Schultz, and Paul H. Douglas. There are so many economists, businessmen, and even former bankers supporting this view..

There is one more economist who has backed monetary reform. It is our Nobel Prize winner Milton Friedman. He wrote a book in 1960 called, "A Program For Monetary Stability". he stated that he was in favour of what Henry Simons and Lloyd Mints were advocating, that is, 100% reserve. In other words, he advocated that governments, rather than private banks, issue the money supply. Milton Friedman suggests the treasury can issue treasury bills, issue and destroy them. Milton Friedman also suggests a savings bank, which would accept long-term deposits and make private sector loans and equity investments. Savings institutions would be forbidden to accept demand deposits, would penalize early withdrawals, and would not be required to maintain cash reserves.

Banking reform 1, thesis

If these reforms were enacted, neither checking nor savings banks could expand or contract the volume of circulating medium by its actions. This would be the job of a Federal Monetary Authority or Currency Commission, which would expand money and credit at a steady and slow pace as the economy grows.

This organization would also buy back the national debt little by little. Later, the government could spend, lend, or transfer needed new funds into existence through the monetary organization. All reformers favoured rigid rules to limit the discretion of the commissioners, although there was some disagreement as to whether the growth of population, the price level, the employment level, or the long-run growth rate of the economy should set the pace of money creation.

http://lamar.colostate.edu/~rphillip/hotson.htm

However as already mentioned in the Qualitative data analysis, the100% reserve system, Friedman advocates is still based on tax, and as such should not bear interest, before distribution.

7.10 New Government proposals for affordable housing 2005

“The equity loans, which will pay for up to half the cost of a home, have to be repaid when the home is eventually sold. The amount is based on the proportion of the value of the home that the loan initially covered. So if the loan represented a third of the value of the home when it was bought, a third of the value of the home would have to be repaid when the home is sold.

Such loans are already available under the government's £690m Key Worker Living Programme. But the scope of that programme is limited by the availability of government funds.

The new loans would be financed by lenders rather than the state. But the government is understood to be willing to subsidise individual deals for key workers for at least the first five years.

Banking reform 1, thesis

Peter Williams, the deputy director general of the Council of Mortgage Lenders, revealed that talks are due to take place this week on the details of the scheme.

He said: "We have put forward proposals for developing the shared equity loan market. The extent of the government's help is a matter for discussion at this stage.

"This is something that ordinary buyers would also be interested in."

Professor Glen Bramley, from Heriot-Watt University, who served on the government's home ownership taskforce, said the idea would represent a more efficient use of government resources than current schemes for encouraging home ownership.

"The government could fund six times as much low cost home ownership than it does at the moment through this kind of model, he said."

http://society.guardian.co.uk/keyworkers/comment/0%2C1266%2C1351905%2C00.html

also other concerns are raised

Homelessness charity Shelter warned the government not to use public assets to help more people own their own home at the expense of those at the very bottom of the housing ladder.

"We believe today's announcement represents a significant shift of public money away from providing social rented housing towards subsidising home ownership - a cause for extreme concern."

The government have also challenged builders to design and produce a £60,000.00 house.

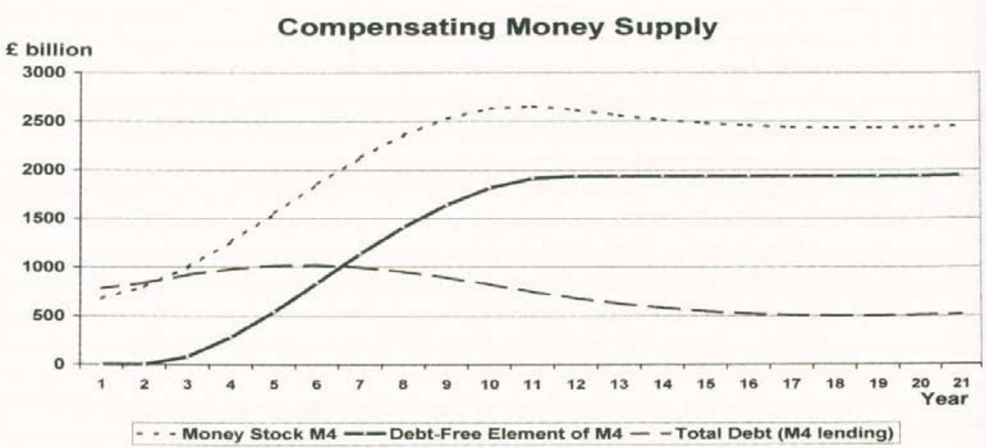
Interest free loans would of course help. As we have already examined mortgages do not deliver on home ownership, but only act as assets for sale and profit if you're lucky.

http://news.bbc.co.uk/1/hi/uk_politics/4399463.stm

Rowbothams Compensating money supply Figure 7.1

COMPENSATING MONEY SUPPLY

YEAR	Estimate of Annual Borrowing	Debt-Free Money Created	Increase In M4	Total Of M4	Total Debt (M4 Lending Counterpart)	Debt-free Money Stock
1997	60	-	60	680	780	-100
1	60	60	120	800	840	-40
2	80	120	200	1000	920	80
3	60	200	260	1260	980	280
4	35	260	295	1555	1015	540
5	5	295	300	1855	1020	835
6	-25	300	275	2130	995	1135
7	-45	275	230	2360	950	1410
8	-60	230	170	2530	890	1640
9	-70	170	100	2630	820	1810
10	-75	100	25	2655	745	1910
11	-65	25	-40	2615	680	1935
12	-55	-	-55	2560	625	1935
13	-45	-	-45	2515	580	1935
14	-35	-	-35	2480	545	1935
15	-25	-	-25	2455	520	1935
16	-15	-	-15	2440	505	1935
17	-5	-	-5	2435	500	1935
18	-	-	-	2435	500	1935
19	5	-	5	2440	505	1935
20	5	5	10	2450	510	1940



"Over subsequent years as more stable credit was distributed, the need to borrow would decrease (as debt based money constantly needs more money to be created), A fall in borrowing would lead to a decrease in the M4 lending counterpart, leading in turn to a decrease in the input of stable credit"

"The only point at issue is whether that money is to be created by the banks as debt, or by the Government debt free" **Rowbotham (1998)**

8.0Appendix C

8.1 Outline of the financing of the new procurement model “C”

8.2 Regulation across America, Britain and Europe (a comparison)

8.3 PROCUEMENT MODEL “C” in pictorial form

8.0 Appendix C

8.1 Outline of the financing of the new procurement model "C"

To repeat

"The global super rich "stash $11.5 Trillion in tax havens" "Of the worlds 72 major tax havens, 35 are linked to Britain, including the City of London (not London the City), which offers special treatment to non-residents" **www.taxjustcie.net**

11 Trillion = 1000 Billion, a Billion = 1000 Million (enough to feed the world perhaps)

"It is also a fact modern governments finance their day-to day-expenditure, not out of taxation as is commonly supposed, but by incurring debt which it is the function of taxation to repay. The power to tax in other words, is the security upon which the loans are raised, which is one powerful reason why compulsion must be used; for since debts in general can never be met in full, compulsion is the only way in which governments can ensure that their own liabilities are met in full, so that they must remain credit worthy" **Dobbs.**

Speaking on how this is so institutionally, Douglas suggests that governments maintain this position, simply because they (the people) are not the decision makers in the process. Although Douglas had a genius for economics his personal views are distasteful and selective.

Speaking in 1936 when it was mooted that the bank of England be nationalised. Eventually it was nationalised in 1946, delayed by WW2.It remained so until it was made independent in May 1997.

"The state and the banking system are very nearly one and the same thing at the present time and are wholly one in policy. While the Bank of England is a private bank owned by international financiers, the Treasury plays straight into its hands, and the nationalisation of, for instance the Bank of England, would mean the transfer of the Treasury into the Bank of England rather than the transfer of the Bank of England into the Treasury **"**. **Douglas**

All that has occurred in 1997, is that the treasury was made independent into the Bank of England.

This gives an option of private individuals (the bank), or civil servants.(treasury), who are essentially one and the same according to Douglas. A new approach and either way since Government are at least elected, albeit out of a very narrow choice of similar candidates, civil servants are preferred, to carry out its functions, (as directed) overseen by a committee of the public.The public (lay/amateur committee) can monitor "bureaucracy" (as opposed to private banking)and its potential abuses. It would be similar in structure but not personnel to Friedman's Federal Monetary Authority or Currency Commission. The public committee would work within the Treasury, re-(s)elected every year from the working class of say 36 people (including teenagers and retired pensioners and the unemployed, anyone, and this number could grow e.g.136, 236 etc) with accounts that can be seen and published on the internet, so that the taxpayers can see what they pay (see the pre-budget report above as a simple example which could be expanded), the committee consisting of different people like Jury service (or similar) who should be re-imbursed for attending every day for a year. (or 30 weeks approx with usual holidays) as Parliament closes for 3 months…during which the country manages not to collapse and become confused or grind to a halt).They would also able to raise objections and policy ideas with a larger density of the population, who of course also become better educated as to how the economy functions. In the treasury Doris the pensioner, or Sean the teenager, or Angus the long term unemployed committee members could put there hand up ask questions like; “what is the difference between macro-economics and micro-economics” or philosophically or practically “what is money exactly” or “its our/everybody’s money isn’t it” (etc) and civil servants could patiently explain. Also in there could be accountants, solicitors, dustbin men, plumbers, nurses etc, Rajid, Dai, Hulio, Betty, Achmed, Bob, Arthur, Jemimah, Wong, Tara (etc)

These people could be paid £28,000.00 per annum or equivalent to their loss of wages (not pro-rata). This would total £1million and 8000 pounds (£1,8000.00), with expenses this may reach £2 million pounds. When one PFI or any traditional project can cost £240 million, the interest alone is nearly £18 million a year. If ten projects of similar costs were financed under this new model that would save £180 million a Year. As the government has earmarked £110 billion for PFI alone over the next ten years, the interest would be £7.7 billion saved at a cost of £20 million.(and no debt on the £110 billion)

The scheme or sector could have the patronage of up to 3 MP’s, a patron (not employee)from the DTI, and F.S.A and perhaps from the Union of H.M. Taxes and one from **a builders association with experience in Social housing.** The scheme or sector would produce good quality housing.

This way those that pay the tax can implement its running and can account directly to Parliament and local authorities the matters they observe and decide upon.18 of them could oversee the new SPV and procurement model, whilst 18 or so could oversee the treasury, passing information back and forward, which would also go to parliament who would receive instructions and outlines for new laws and legislation and regulation to improve the new model. Accounts like the pre-budget report (on the internet) will show instantly every quarter if interest has been charged on the tax collected and re-issued to the SPV, and will be obvious to all.

This way the civil service, the Commons and an independent overseeing committee and can keep a check on the way the taxes are managed, spent and accounted. Regulation will then become tighter by new laws, which the committee would have a direct influence and drafting upon.

This of course is creating new jobs and is in the context of economic democracy and is in essence very simple and would serve the purpose of a new procurement model, it is also just one shade of many shades of similar ideas by way of example to best explain a missing component in “democracy”.

Friedman suggests a split in the roles of “100% money” and private banking so that the government could issue the currency as treasury bills with an overseeing committee, whilst the private bank issues credit, a half way position between the treasury being nationalised into the Bank of England (the more “ bureaucratic ” approach), and the treasury being made independent into the Bank of England (the more “private” mercantile style). Private banks of course like any other private concern or firm, outside of the wheels of Government and new procurement model can still issue credit at interest, and we can also lend them our money at interest, this is up to individuals and peoples personal views and has nothing to do with the running of government in its mechanics, which was instigated to serve the people, as our elected leaders were.

i.e. it is separate from the philosophy of private banking (or government unregulated) carrying out the following;

“they issued a £1, the holder of the £1 note had the right to demand that the bank give him cash for his note, but, if he made that demand, the Bank had the right to demand the Government raise the £1 by taxation and repay the £1 worth of debt to the bank so that the bank might repay its £1 to the note holder” (Hollis)

This gives the government (or the people rather) control over the amount of credit and the interest rate upon it. The Government take back from the private banking system the ability to create and destroy money when they increase or decrease loans. Private banks are of course still able to offer credit deals to anyone who wants credit privately, its just that the collected taxes would not be subsidising their endeavours.(although this last point is not exactly clear, with Friedman, who although sympathising with the “100% money”scheme of Fisher is also championed by the monetarist neo-liberal position, hence the concerns for greater public direct control.)

If these (full) reforms were enacted, neither checking nor savings banks could expand or contract the volume of circulating currency by its actions. However Friedman’s views, which seem to be both Keynesian, and resembling Fisher, (the Federal Monetary Authority or Currency Commission proposal) does not allow for a “democratic” check of the monetary supply of the state by the taxpayers themselves, (classical, neo classical, orthodox, heterodox? merge into inseparability) hence my example above of people being able to monitor, influence and control the building programs, which their taxes finance and therefore a large measure of the economy. People could then report to local authorities who could with a smaller people’s committee borrow their requirements in the same way with the new procurement model and SPV. Construction, Building and Property firms, large, medium and small, Architects, surveyors and other smaller interest groups like parish committees (etc), social groups, business groups, charities could also be kept informed as information is in itself the main ingredient to raise peoples awareness across all but mainly the working class. Applying for funds direct or via the local authority follows from this awareness.

This view takes the main assorted theories and adds the public committee principle overseeing the model. They should be lay and professional “working class”, of differing political persuasion and should work for one year, and a new committee be selected at random, a sort of Ministry of no interest on tax for public social desirability in public works. (Scheme, sector, ministry).

Banking reform 1, thesis

The national debt as is could be converted to equity or cancelled, and a true public debt backed by cash reserves, and recouped by taxes (as in Appendix B, Channel Islands or similar example see **7.2)** could be instituted.

Compare how regulation actually protects “the people” a vital component with taxpayer’s money. in figure 8.2 (next paragraph)

Keynes General Theory.(1979), Milton Friedman and Anna Schwartz, (1963), Veblen (1904) “Theory of business enterprise”, De Soto “The Mystery of capital” (2001).

Marx “Capital” (1906)

8.2 Regulation across America, Britain and Europe (a comparison)

Just as in the 1980’s, Britain’s financial markets and mortgage markets were deregulated, (see the literature review pages), it is now suggested that Europe should follow suit.

“One way to boost both economic efficiency and spending in the euro-area would be to shake up its over regulated mortgage markets” Economist (11.12.2004)

The Economist magazine suggests the best way to achieve this is to Liberalise, to encourage competition and innovation in the mortgage market, which would make monetary policy more effective as well as help to boost spending. (i.e. to create and flood the market with credit, which until deregulation occurs as they see it, excessive credit cannot be created by the European central bank.

Banking reform 1, thesis

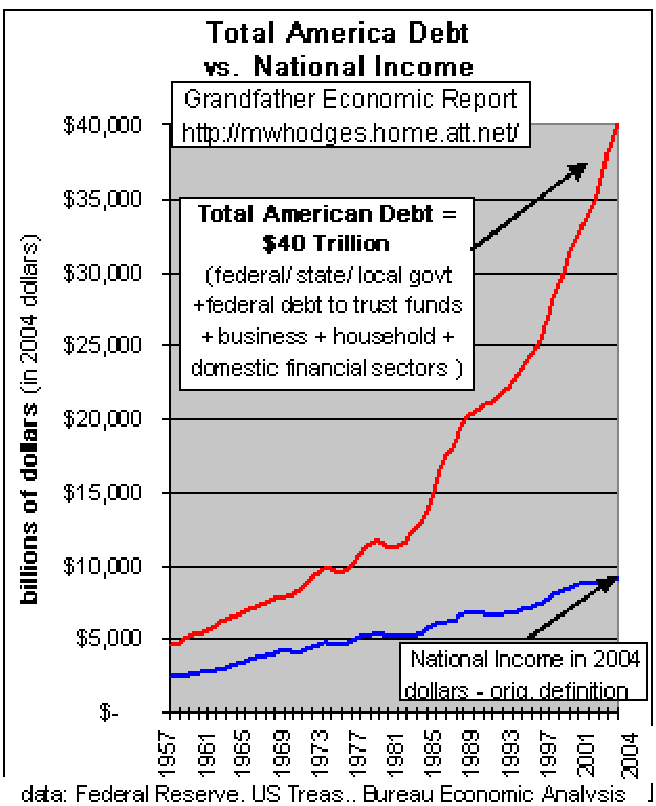
Until a mortgage is agreed the interest bearing debt cannot exist. As already stated it is a mechanism to supply money to the economy, which if deregulated flows easier, down the debt mountain)

This way it will boost its dismal “growth rate”. Of course growth occurs even when the economy is forced into borrowing or when it is bankrupt, and when its debt out strips its assets. (see chapter 4.3 above).The Economist continues in advising Europe;

“Loosen up a little. This newspaper often lectures America for excessive borrowing and too little saving; surely we are not suggesting that Europeans should adopt its more profligate ways?… Yes we are, but only in part. Just as debt can be to high, it can also be too low.”

This last statement is economically meaningless. Of course were all screaming are debt is too low. ?

Figure 8.1



C.B.S. news on the 10th April 2005 in America say America’s national debt is$7.82 Trillion.

Or it is $40 billion (see above).The C.B.S figure is supplied according to Government statistics, but what is 20 or 30 $Trillion or so.

C.B.S. continue "The day Bush was sworn into office in 2001, the national debt was $5.7 trillion, and there was a surplus. On the day he showed up in Parkersburg, it had climbed to $7,782,816,546,352.29. That is seven trillion, seven hundred and eighty-two billion, eight hundred and sixteen million, five hundred and forty-six thousand, three hundred and fifty-two dollars, and twenty-nine cents."

"Four years ago, the Bush administration inherited a projected 10-year budget surplus of $5.6 trillion, says House Minority Whip Steny Hoyer" "Since then, we have run record deficits of more than $400 billion a year, and Congress has been forced to increase the national debt limit three times. Even worse, the administration and Congress have no real plan to rein in deficits and debt. This threatens our investments in issues important to our communities -- on everything from health care to our national security."

http://www.cbsnews.com/stories/2005/04/08/opinion/main686839.shtml

Implied in this statement are the effects of war borrowing and financial mismanagement.

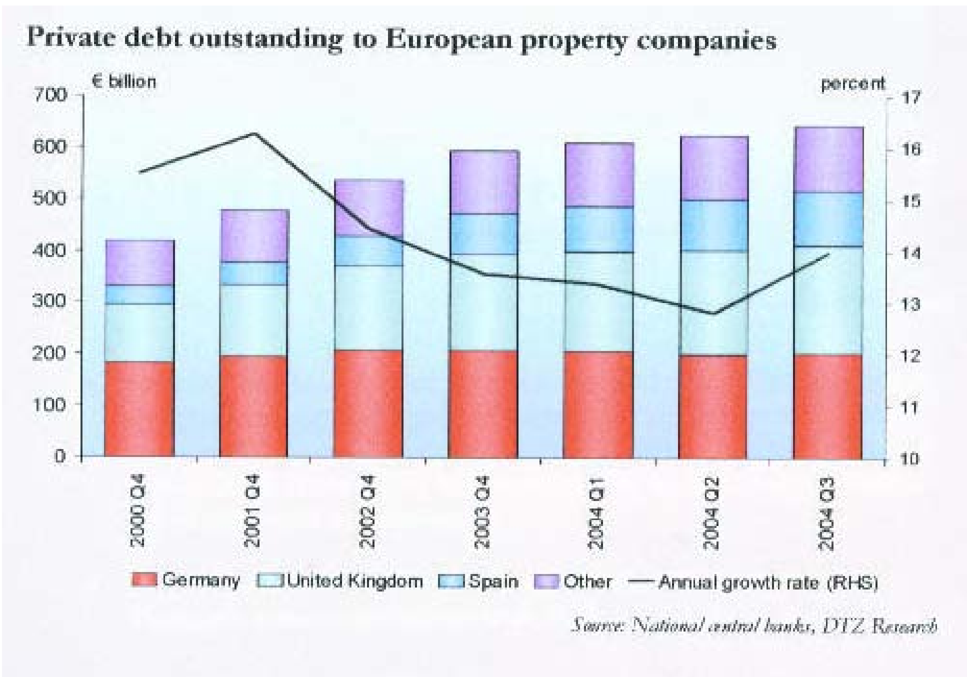
Further, "Corporate profits over the past three years have risen by 60%, whilst wages have risen by 10%" **Economist (12.2.2005)**

The Economist continues "In America Households debt amounts to 90% of GDP, whilst in the Euro-area it is only 50%. America's saving rate is 2%, whilst in the Euro-area it is 10%. In France and Italy the typical mortgage has been for 70% and 55% respectively of a homes value and has to be repaid over 15 years." **Economist (11.12.2004)**

The economist says that this is because of the Euro-area less developed mortgage system which makes it harder to borrow.(as it is regulated)

A French girl I know, in conversation said she cannot believe how many people use <u>mortgages (translated 'deathgrip')</u>, as a means to live in a house.

Figure 8.2



DTZ research "European private debt market" report.

DTZ monitored 7 European countries (including France, Spain, Ireland, Italy and Germany) and found across them all a debt to property companies of 644.8 billion Euros. This converts to £441.482 billion sterling.

Compare this to (see the literature review), with the British debt to property companies of £140 billion and multiply it by seven (or six) and its twice as much debt, with 10 years longer on the term of the loan at on average mortgages rate of 100%

The economist continues;

Banking reform 1, thesis

"Deregulation must be done carefully, with adequate supervision to discourage too much risk taking by lenders." **Economist (11.12.2004)**

This is a sensible statement by the Economist as hundreds of thousands of homebuyers in Britain are inflating their wages in mortgage applications in order to meet the high cost of housing and deregulated banks (i.e. all the British banks) are seemingly allowing it to occur.(see the literature review page)

The Economist ends with

"Surely the European Central Bank should prefer to drive a well engineered Porsche with care, than a clapped out old banger that responds slowly and uncertainly to the accelerator or the brake, cars don't cause accidents, people do" **Economist (11.12.2004)**

Volkswagen and Ferrari's, and they own more of them as opposed to hiring them with credit deals and long term loans. MG Rover on the other hand is in receivership, and thousands of workers are redundant.

Europe then is safest for the consumer and people are better off than in Britain or America, it also provides safer and better constructed housing and goods. **Horsfall (Dec 04)**

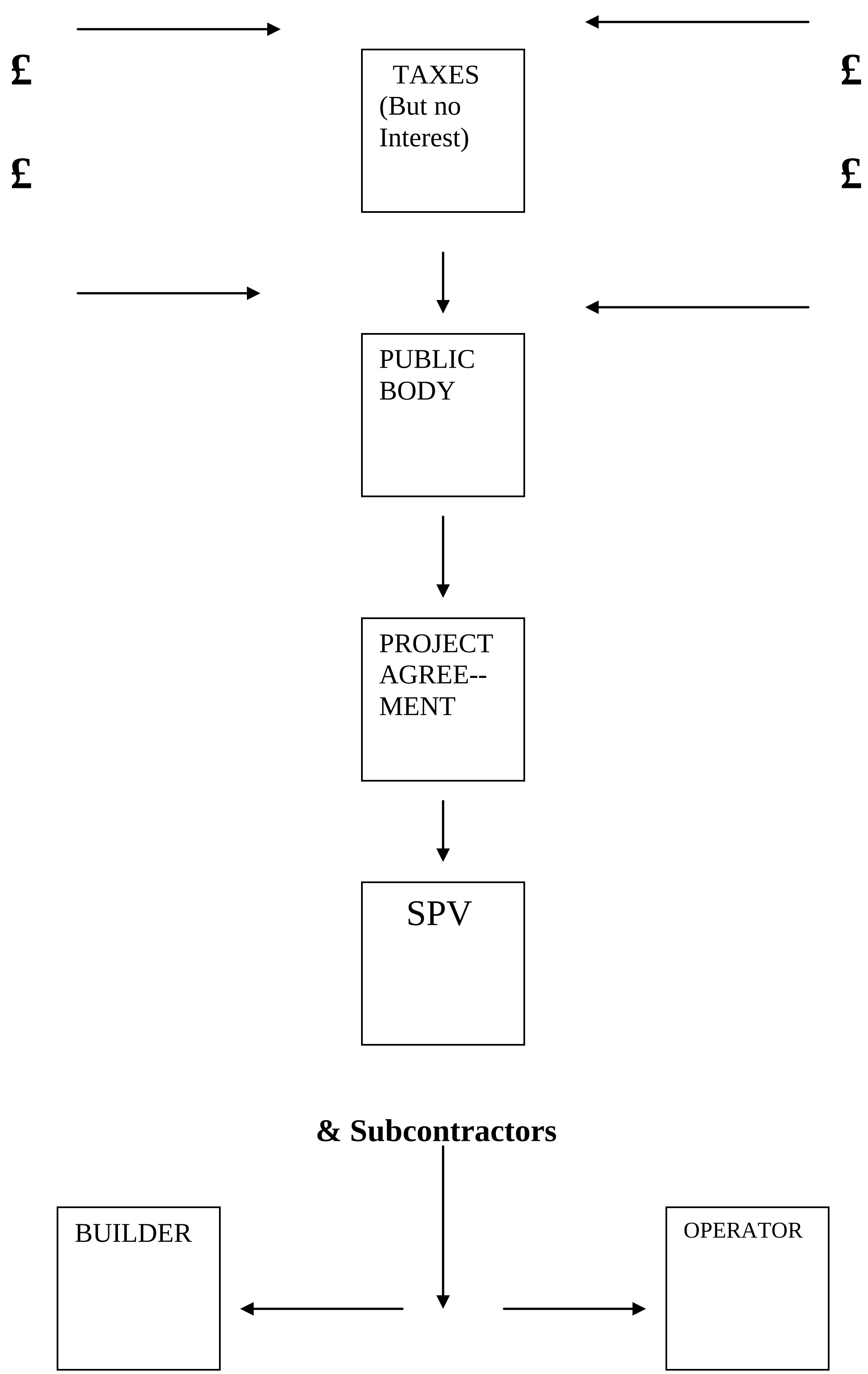
8.3 PROCUEMENT MODEL "C" in pictorial form

A new procurement model "C" can look roughly as the example overleaf, known as Figure 8.3 can be utilised with adjustments for PFI, Traditional and straight "tax and build" projects, which do not require repayment being as they are of Public benefit from public taxes (depending on the type of public building a modest entry fee will pay for its use in a hundred years or so, being as it is very well constructed.). Using a PFI repayment scheme on a debt with no Interest is of course acceptable, but the repaid figure should be counted as money received twice, once in taxes and once in repayment receipts. It can also not be paid back except through taxation especially for social housing, which is also purchasing land. Building a national debt on this model also allows for more funds, but it should always be paid back (see 7.2 Channel islands example, and Credit Union in literature review). As this national debt also carries no compound interest over centuries and centuries, it will be therefore easier to repay.

From the survey issued to construction firms, property developers and investors there is a very high desirability for this type of construction and construction financing model.
The desire to facilitate this type of construction and construction financing is not shared with the majority of banks and finance houses, but many have indicated their favour to it. However you cannot buck a market and the demand is there, so the supply will obviously follow.

(see figure 8.3 below)

Figure 8.3 procurement model "C" Outline



Appendix D

9.1

B/F265	Banca Commerciale Italiana

9.2

C/PD/I/371	Tolent Developments

9.3 Answers and thoughts arising from the Qualitative data

9.4 Money borrowed twice and Corporations.

9.5 History of Monetarism.

9.6 "Third world debt"

9.7 The Mystery of Capital (Solving it)

9.0 Appendix D

9.1

B/F265	Banca Commerciale Italiana

Interestingly Banca Commerciale Italiana equate the lack of interest attached to loans to industry as sinominous with creating an artificial environment, where subsidised industries (however subsidies also proliferate by Government subsidy to privatised companies, both types of PLC even those undertaking PFI/PPP contracts?) and entire communities were supported by artificial economics (subsidies). These types of subsidised industries (not the private type presumably) will eventually become too expensive for the state to maintain they say. Of course under the MO/M4 money stock/supply system this is nearly a perfectly true and an accurate statement by the bank.

The idea of state and private finance, which originates in public taxes (private borrowing is usually offset by the raising taxes for every £1 borrowed.) and disappears into the national debt.
To fund this to this day the trick was;

"they issued a £1, the holder of the £1 note had the right to demand that the bank give him cash for his note, but , if he made that demand, the Bank had the right to demand the Government raise the £1 by taxation and repay the £1 worth of debt to the bank so that the bank might repay its £1 to the note holder"

Hollis

Since the Bank of England's formation in 1694 and the first loan it raised of £1,200.000, allowed it to then to produce 10 x this in credit (paper money) in theory. Even without the paper money to reflect an amount, the 10x rule (itself arbitrary, and not conforming to any law of economics or reason) meant that 10x or £11 million in credit could be produced. Once this was borrowed, the amount of £11 million in theory, presuming the new £11 million became a set of various deposits in the lending institutions and sub banks around the country, could also be multiplied by 10 giving £110 million and so ad infinitum. Even at 10x £110 million or £1 billion 100 million, no new money had been created in substance, only credit had been created on paper. Having gold in your vaults worth £1,200.000 is not a liquidity ratio to inspire much confidence, if there was a run on the banks, or if everyone withdrew their money (which did not exist).The banks do not lend existing money deposited with them they create the money, as it needs to be spent.

The initial sum the bank put up of £1,200.000 in 1694 and loaned to the Government at 8% by 1994 has become £15 Billion 400 million (300 years), all government borrowing added into this becomes the national debt, and as the statement above clarifies for every £1 of national debt, we pay £1 of tax (hence being "national" it is ours)

Therefore against taxes, money is created but as debt, currently the money stock is below M4 (as the literature review) shows and is all debt, the nation in effect being bankrupt.

Since this is also the source of bonds, and stocks (etc) private money is a misnomer and all of it (except £1,200.000) is public gleaned from taxes.

The nation being in debt to the tune of £1518.7 Billion (see page 10/11) and bankrupt, this is really an artificial market, with artificial economics. However Italian banking in the Middle Ages did not escalate this process, the escalation began after the reformation **Marx. (1906)**

Previously aside from Popes and papal bankers worried about bank loans and the sudden need to start charging for the forgiveness of indulgences, the Medici also issued a new Renaissance across Europe and the world, which is also an example banks could follow. **Strathern**

9.2

C/PD/I/371	Tolent Developments

Tolent developments say;

To Question 1; “There is no such thing as interest free credit”

and To Question 2; “no – again, the concept is so unrealistic it will <u>never</u> happen”

Question 3; would Tolent developments like to receive interest free credit?

“Yes, we would immediately borrow £1 billion and retire”

They add at the end,

“Who would carry the cost? The public? I think not!”

Mr Atkinson who has amusingly considered the matter is obviously unaware that interest free credit was issued by the government many times at miniscule cost, and therefore it has happened. Further if Tolent applied for £1 Billion, they would of course be paid incrementally and would have to face the responsibility of producing a building or many buildings for public benefit, and/or repaying the amount borrowed over 25 years, which would of course interrupt retirement.

Like many institutions and individuals the concept of paying interest to facilitate their own taxes being redistributed back to them (which actually is the case), is a concept they are unaware of.

This is mainly because it is so unrealistic it could never happen !

Its doubtful they would win the tender.

9.3 Answers and thoughts arising from the Qualitative data

It is sometimes maintained that the national debt (the money supply) is a debt we owe ourselves This is confirmed by modern University economic textbooks currently in use.

Textbook economics; with Begg (et al)

“The UK government ran large actual deficits in the 1970s.hence the nominal value of its debt increased sharply during the 1970s, from £33 billion in 1971 to £113 billion in 1981. Yet in many of these years the nominal deficit was actually a real surplus once the appropriate inflation-accounting is employed. This suggests that the real debt of must have been falling, not rising. And this in fact is the case. Even if it were not,we should remember that, when the economy is growing in real terms, real tax revenue will be rising, and the public sector can service a growing real debt without having to increase tax rates”

He continues.

“There are two theoretical reasons why concerns about the national debt may be overstated. First the vast majority of UK debt is owed to UK citizens who hold government bonds. It is a debt we owe ourselves as a nation. Second, some of the money which the public sector has borrowed in the past has been used as to finance physical investment or investment in human capital, which will raise future tax revenue and help pay off the debt. Prudent business sometimes borrow to finance profitable investment, and there is no reason why a prudent public sector should not do likewise”

“Why, then, should a sensible economist worry about the scale of the public debt at all?.Two reasons <u>First, if the debt becomes large relative to GNP, high tax rates may be requires to meet the debt interest burden. High tax rates may have disincentive or distortionary effects”</u>

Banking reform 1, thesis

“Second, if the government is unwilling to raise tax rates beyond a certain point (perhaps because of the adverse effects mentioned above) or is unable to raise tax rates beyond a certain point (perhaps because business and rich individuals would then emigrate), a sufficiently large debt may lead to large deficits which the government can finance only by borrowing or printing money, eventually the temptation to print money on a massive scale may become irresistible. That is how hyperinflations start”

Begg et al

Curiously this explanation actually explains that debts can only be financed by the Government borrowing or printing more money, this is.

Reply to the above.

This is rebutted by **Rowbotham (1998)** and answered as follows:

“To claim that the national debt is a debt we simply owe ourselves is in any case demonstrably false.(it simply screams out with contradictions)

Such an argument avoids all the economic details of the arrangement.

The national debt is a government debt: it is undertaken by the government, underwritten by the government, and owed by the government to our pension funds and insurance funds.

However, the government obliges the people of the nation to pay for this debt.

This is clear when we consider the settlement of the national debt stocks as they become due for repayment. As we have seen, the government generally repays the money due on maturing national debt stocks by borrowing even more from pension funds.

But in very rare years when there is a budget surplus, and a net repayment of the national debt, the population are actually paying this debt off through their taxes.

People are thus paying for what is already theirs, paying a second time from what they have already saved, replacing their own pension fund monies via taxation." **Rowbotham (1998)**

The principal of debt, and borrowing money into existence, charged at interest to lending institutions and in turn onto the construction industry is central and the national debt pillar, it is the pillar all money spirals around in nearly every direction. The fact that it comes from our taxes in the first instance, is a cause of confusion and consternation to many, and distorts the line between public and private money. Further to the role the treasury does or does not play in distributing those taxes into the public good, also crosses into the stock market where surely private money is free to charge interest on its loans and dealings if it wishes.

Whilst commercial firms face many difficulties, including maintaining a high share price, (once shares are sold it also becomes an interest repayment scheme known as dividends) profitability, technology innovations and their costs and maintaining a demand for their goods, the extra burden of borrowing money to invest, and their high interest charges means this may be one more burden they may wish to do without. Whilst waiting for a new companies profits to rise, the dividends price will not show a rise above its original share price, until it receives beneficial news on future contracts or until its actual profit is announced.

The dividends increase, and the interest on the "iou" dividend is placed onto the share increasing its value, which can then be sold(or retained) at that increased value.

However many of these firms raised capital to begin the firm by borrowing and the profit, whilst repaying the loan is artificial as in effect the company is technically owned by the lending institutions.

Banking reform 1, thesis

If no loans were taken, then the shareholders may have an interest repayment scheme to be satisfied with.

The model of dividends (shares) above is exactly how the government raises extra money; taxation fails to satisfy….but,

"the national debt is actually composed of thousands of pieces of paper called stock bonds and treasury bills. These stocks and gilts known as gilt edge securities, or 'gilts' are essentially an elaborate form of IOU.These IOU's are issued each year as the government fails to collect enough in taxes to cover the costs of its public services and other spending, and it borrows to cover this shortfall. All government budgets overshoot by many millions of pounds, dollars or deutschmarks annually. This leads to what is called the 'borrowing requirement' for that budget year. A country's national debt is therefore the total still outstanding on all past years borrowing requirements."

Rowbotham (1998)

The government sells the stocks and gilts on the money markets usually in denominations of £1000, to insurance companies, pension funds, banks, and trust funds.

"what happens next is pure comedy.As these government stocks mature and become due for payment; the government has to find the money promised on those stocks, and pay it to the financial institutions that bought them. But governments are quite unable to pay this money owing on their past stock issues; indeed each government is confronted by the current years annual shortfall in taxation receipts".

“How can the government pay up on its maturing stock?It has underwritten promises it cannot keep What happens next is that the government obtains the money to meet the payments due on maturing national debt stocks….wait for it…by selling more government stock to the financial institutions promising even more money in the future.

There is a shallow pretence that it is not the true arrangement, since repayment of national debt stocks is actually accounted as coming from taxation, not from the sale of more bonds. But this repayment of from taxation creates such a massive shortage in government revenues that can only be made up by the sale of more bonds, so that the net effect is that repayment is constantly deferred by the sale of further government bonds. This is what is referred to as the interest on the national debt, although it is not really interest in the strict banking sense, but a constant rescheduling of a completely un- repayable debt”

Rowbotham (1998)

Therefore our tax revenues are reduced substantially by this arrangement, and by the time the next generation is grown, their taxes are in effect eaten up increasingly. It also has to be remembered that those who purchase the government bonds, did so also with money borrowed into existence… as debt. In effect this is like borrowing £10, to purchase an IOU for £10, and hope that the original supplier of the first ten pounds debt increases, so that your IOU will be worth £12.00.

9.4 Money borrowed twice and Corporations

“In other words, by this bizarre process, governments borrow money into existence which has already been borrowed into existence, and they thus create a second massive institutional debt in respect of money which already has a debt behind it!

This is why the addition of the national debt to the total private debt places a country and its people in an absurd position of overall negative equity owing far more on paper that the amount of money that exists in the economy" **Rowbotham (1998)**

"The cash sloshing about the world is largely in the hands of pension funds, insurance companies and financial houses(brokerages, hedge funds and the like). Their combined assets come to a tidy $21,000 Billion, half of which belongs to US sources.
(George S "The Lugano report" figures supplied by the bank of International settlements for 1998)
Since 1998 little has changed

"Fully one third of all world trade now consists of exchanges within **the same firm;** that is, shell trading with shell, IBM trading with IBM, Unilever with Unilever.A further third of world trade is not intra-firm but inter-firm, or Trans national corporations trading with each other – General Electric with General Motors. Only the remaining third of exchanges on world markets can in any normal sense be called "national" trade and this share is steadily shrinking. What Original sin and the Holy Trinity are to Catholics, the benefits of free trade are to neo-liberals."
George Susan (1999)
and "if the nineteen richest states of (chapter 3), traded only with each other, and had no economic dealings with the rest of the world, their standard of living would not fall by much. Most of their trade is already amongst themselves"
Kay (2001),
However Kay goes on to explain what is offered to the other (s) i.e. the American business model,(based largely on the aggressive Chicago school of economics of free trade abandonment) and

America, London and Europe are Central banks and the 19 (named above) are first in line, the crumbs, which fall from their former own tables during the "development" are what the others must utilise to survive or perish.

"The bulk of the money that is assumed to be present in the money markets does not actually exist at all. What exists is in fact another form of debt. When a pension fund is said to hold £500 million, it does not actually hold this amount of money; it holds £500 million worth of assets in the form of shares, stocks and bonds. Despite the massive money values stated, and totals traded, there is comparatively little actual money circulating to aid the exchange of a massive quantity of stocks and shares.

Even though they are assets, such stocks and shares are more accurately called described as a form of debt.this is obvious in the form of government stocks and treasury bills.But company shares and bonds are properly considered a debt of the issuing company, since they represent a claim against the companys assets, and involve an undertaking to pay dividends at certain or regular future dates. Thus stock markets are trading not in money but in industrial debts".

Rowbotham (1998)

9.5 History of Monetarism

What does the Treasury, with its connections to the Bank of England say about itself;

" Its aim is to raise the rate of sustainable growth, and achieve rising prosperity and a better quality of life with economic and employment opportunities for all" **http://www.hm-treasury.gov.uk/**

What does the bank of England say?

Banking reform 1, thesis

“Standing at the centre of the UK's financial system, the Bank is committed to promoting and maintaining a stable and efficient monetary and financial framework as its contribution to a healthy economy”. **http://www.bankofengland.co.uk/Links/setframe.html**

Therefore we can assume that the philosophy of people receiving their own money free of charge is also a prerequisite to a “better quality of life” and a “healthy economy”

The code of Hammurabi’s which contains 300 clauses of law, some of which pertain to credit and debt, the laws making the practices more uniform and part of the system of law. Hammirabis code dates back 3000BC. “King Hammirabi was not alone in the formation of laws, Assyrian, Hittite and Eshnunna laws dealt with an entire range of economic and social concerns.”

Scott B MacDonald, Albert L Gastmon

The clay tablets found in Ziggurats in Babylonia are in their hundreds of thousands actually IOUs or promises to pay. The economic system they used has evidence to show it’s far more efficient than ours today.

The Chinese developed credit transactions and paper money or rather “white deerskin money” in 120BC. Gradually a wider circulation was found and “flying money”! or “pien-huan” (credit exchange) was instigated. Gradually international and national trade meant the cumbersome and perilous transportation of gold was replaced. This revelation like many other Chinese firsts was “discovered” by Marco Polo **Yang, Lien- Sheng**

Banking reform 1, thesis

Persia Conquered Babylonia, when Persia realised it could not repay the loans the Babylonians made to them they decided to invade Babylon instead. Babylon had given Persia Gold, and Persia was required to repay double in three years.

Since Babylon had all the gold, Persia could not find enough to fulfil the contract so at the cusp of desperation it had two choices, put it self up for ransom and sell itself to Babylon or conquer it. King Cyrus did exactly that, but the Persians adopted the same system of credit as soon as they conquered Babylon.

Persia (modern Iran), became powerful and began to view the emerging Greek civilisation as a possible subject kingdom.

During the fourth century BC bankers in Athens received money on deposit and lent it to depositors at interest rates, which varied from 12 to 30%.

Scott B MacDonald, Albert L Gastmon

Rome in the middle was soon placed in position the Persians and Greeks were once in and turned on Greece and conquered her in return.

From Greece and Ptolemaic Egypt the economic instrument of credit was passed to Rome where it became even more institutionalised **Scott B MacDonald, Albert L Gastmon**

extending their use of coinage as far north to the Celts, where roman coins have been found beyond Hadrian's Wall into Ulster. **Ellis P.B**

The Greeks traded with Roman Egypt and in the Black Sea area, where Bronze Arrowhead coins were recognised as a form of money (as distinct from coinage). **Meadows Andrew, Shipton Kirsty (Eds)**

Rome conquered Britain, and began to turn the Celtic City of Lugh, into a highly fortified fort and European economic centre, this is turn was captured by the Saxons and the Danes, then the Saxons again, until the Normans (French-Norwegians) captured it in 1066 (and all that), until it was eventually captured by the Dutch in 1686, and remains so to this day now known as London, within which exists the City. **Meadows Andrew, Shipton Kirsty (Eds)**

Khubla Khan, persuaded his subjects that strips of tree bark were money. In ninth century Russia the skins of Martens were used as currency until they began to rot.

In 1122 the Doge Michieli of Venice at the siege of Tyre managed to persuade the Authorities of Venice to accept Leather money stamped with his coat of arms. they were in effect promises to pay.

The Emperor Frederick laying siege to Milan paid his troops also in Leather money.

Edward "the longshanks" of Braveheart fame employed leather money as did Edward the 1st

Arabia used glass as money from 909-1171, China tried paper money from 1260-63, as did Persia in 1294 and copper tokens were used in Delhi from1330-31. **Del Mar**

Indeed any would be Genghis Khan, Nero, or hopeful dictator with a few gestures of his battle axe and a grunt could persuade their subjects anything was money.

"Interest was forbidden by two synods (of the Christian church) in 787" **Andreades**

but like its thoughts on Christian doctrines it was not formulated into Canon (Universal Church law) until the reign of Edward 3rd from 1327 - 1377. The claiming of interest on loans however persisted in its "illegality" throughout the dark and middle ages as

"Even at this period (of Edward 3rd) however we find documents against it, but no Royal edict.", earlier acts of parliament, inscrutable actually encouraged usury instead of preventing it.
Not until Henry V111s reign was the rate of interest legalised by an act passed by Henry, whereupon it was set at 10% **Andreades**
In 1552 there was a fresh prohibition against it , but legalised again under Elisabeth 1st

The Old Testament for Jerusalem forbids Usury, with laws decreeing that debts should be cancelled every 7 years (mortgages and small debt included), every 50 years on the completion of the Jubilee of the reigning Monarch all debts, and lands lost to economic usury were to be restored. Like in 2002 in Britain for example.
The Sabbath seventh year tradition reflected in Exodus, Leviticus & Deuteronomy (Exodus 23;10-11),(Leviticus 25; 1-7) (Duet 15, 1-8) ,suggests that God desired the Hebrew people, to extend grace liberally to their neighbours so that imbalances in society might regularly be set right. By forgiving debts (including all personal debt and mortgages.) every seven years and granting a new start to those who had become enslaved, the Hebrews would be limiting the extent to which certain members of the community could dominate and take advantage of others "It also applies to non-Hebrews, whether they are international (Commonwealth !) or 'aliens in the land'(Leviticus 19;34)" and this includes all personal debt and mortgages.*Mortuum Vadium* and *Vivum Vadium"* **Gates Brown**

"Upon a Jubilee 50th year, every family was to return to their property and have all personal debts cancelled including *Mortuum Vadium* and *Vivum Vadium* (Leviticus 25;10 – 55), as also the Sabbath years every 7th year also commands i.e. Exodus, Leviticus & Deuteronomy (Exodus 23;10-

11),(Leviticus 25; 1-7) (Duet 15, 1-8).The law, therefore addresses situations destitution or indebtedness, where families have been forced to sell off family lands out of financial necessity. The legislation aims to correct societal imbalances which lead to the consolidation of lands into the hands of an elite class" "It also applies to non-Hebrews, whether they are international (Commonwealth !) or 'aliens in the land' home or abroad (Leviticus 19;34), and this includes all personal debt and mortgages.*Mortuum Vadium* and *Vivum Vadium* " **Gates Brown**

"Holland was embarked on a money madness frenzy for getting rich without work"

Forrest (1932)

Even Calvinist Pastors as were all classes seduced by the **"TULIPMANIA".**

The "first futures market" or guessing the future price of tulip bulbs and hedging a price on bulk buys.

"wealth is a positive physical quantity, but debt is a negative quantity. It has no concrete existence, and is to the physicist an imaginary quality." **Professor Soddy**

In the 1800s (middle to late)Immigrants into America began to send money back to their relatives who were starving and/or destitute as a result of failed economic policies elsewhere especially London's role in Ireland. As the new century approached and up to and especially during and after "WW1" this foreign exchange found new opportunities for expansion, in the new and rebuilding markets of Europe.

Initially a customer walking into an Amexco cable office would buy a foreign money order (or cable transfer) at that moment's exchange rate.

However by the time the cable operator actually got around to purchasing the foreign currency – a few hours later the value of the foreign currency had fallen, Amexco kept the difference, electronic money which did not exist became a speculative gamble for profit and a career in its self paving the way for stocks and shares to be traded via cable.

They also received commission on the conversion of the currency, and there was a charge for the actual sending of the currency at point of sale above the cost of the cable. In 1918 through to 1920

Amexco received enormous profits estimated at half a billion dollars in the exchange rate variations their customers paid for and thus since the early 1850s. **Grossman**

9.6 "Third world debt"

A problem identified is explained simply as under the system (called the Fractional Reserve System in America…in that a bank only held a fraction of the amount it lent out in reserve !) £100 credit is created and £110 debt is demanded in return; that is, there is always more debt than credit. This equation should be£100 credit equals £100 debt even in the worst model.

"At least 90% of the $2.3 TRILLION owed by the poorer nations are owed to commercial banks and lending institutions –the World Bank,(usa) the IMF, (Europe) and the commercial banks of the world" "the debts of developing nations are not, in the main 'inter-national'; they are debts that record an obligation on the part of debtor nations to banks-not to other countries."

Banking reform 1, thesis

“In the public discussions that have led to the ‘current consensus’, we are being persuaded that the massive backlog of Third World debt is primarily due to the economic incompetence, or corruption, of their governments. This is a supposition of the most extraordinary arrogance! Are we saying that the governments of the entire third world are either corrupt or incompetent ?And what short memories we have. if we are going to introduce ‘corruption’and ‘incompetence’ into the argument, we should keep the balance right and remind ourselves of the record of the IMF and World Bank.”

Reminding us that the research to support this over the last 20 years “is beyond question”

Rowbotham (1998)

The Worlds and Europe’s central bank (of central banks, the IMF growing out of the Bank of International Settlements), with its ideology rooted in monetarism, itself expressed as a “money multiplier effect”, in turn relying on the collection and charging of interest on credit loans, is also a description of the Bank of England, (beginning 1694) the central bank of banks domestically and its policy, national and international based on the same philosophy over many more years.

Hutchinson Speaking on the loan with interest system, collectively and centrally known as the “National debt democracies” **Marx 1906**

“”Since the population of Britain in the eighteenth century was around six million, such vast debts (£20 Million in 1696, and £249 million in 1748, after a stretch of 4 wars internationally, and the “Irish war” domestically) might appear potentially disastrous. On the contrary, however they represented the mechanism whereby Britain gained control over the resources of many and distant lands across the world. Thus loans to the Government or to private individuals were profitably invested in seizing the land, property and persons (as slaves) of people around the world. **Hutchinson**

In this way salves unto starvation were made domestically and in the commonwealth and elsewhere, and it is still very much in place today.

Banking reform 1, thesis

The world including Africa, India, China, slaves to America etc.

"Inspired by the success the success of the Bank and the profits of its shareholders, landowners invested money in developing their estates, creating the agricultural revolution which turned land from a commonly managed food producing resource to a privately owned profitable investment."

This led to the industrial revolution as gunpowder, arms, tin, coal, iron, cotton mills etc and a new class of merchants and wealthy landowners. **Hutchinson**

9.7 The Mystery of Capital (Solving it)

However, "in the 21st century, 0.6 % of the people own 69 percent of the land"

Cahill,

despite the various revolutions over the centuries, and the driving need of credit to make everything more efficient, real wealth around the world is held by a minority, whilst the majority simply service the debt (which being national is "theirs", not the banks or corporations)

"In most countries in the world, land is not being democratised and spread across the population. In fact, the World Bank and International Monetary Fund have been imposing policies on poor countries that actually increase the concentration of land ownership and make more people into landless peasants".

Hari

"The single most important source of funds for new businesses in the United States is a Mortgage on the entrepreneur's house. These assets can also provide a link to the owner's credit history, an accountable address for the collection of debts and taxes, the basis for the creation of reliable and universal public utilities, and a foundation for the creation of securities (like mortgage backed bonds) that can be then re-discounted and sold in secondary markets. By this process the West injects life into assets and makes them generate Capital.

Third world and former communist nations do not have this representational process. As a result, most of them are undercapitalised, in the same way that a firm is undercapitalised when it issues fewer securities than its income and assets would justify. The enterprise of the poor are very much like corporations that cannot issue shares or bonds to obtain new investment and finance. Without representations their assets are dead capital.

The poor inhabitants of thee nations – the overwhelming majority - do have things, but they lack the process to represent their property and create capital. They have houses but not titles; crops but deeds; businesses but not statutes of incorporation.

It is the unavailability of these essential representations that explains why people who have adapted every other western invention, from the paper clip to the nuclear – reactor and weapons, have not been able to produce sufficient capital to make their domestic capitalism work.

This is the mystery of capital. Solving it requires an understanding of why westerners, by representing assets with titles, are able to see and draw out capital from them." **De Soto**

The mystery is the legal system is geared towards the rich, capitalism is built on usury, on nothing of substance, smoke and mirrors, which does not have any basis for morality in philosophy or religion People are landless, and believe that mortgages are ownership.

A further mystery is that even in the "West" you can be in the "South", you approach the West as you near a Corporation or Central bank, whether you live in the south or in the West.(North or East)

The West and America have very high levels of "poor", and whether it is taxes hived off, or Trillions traded in the same few hands, it all benefits the few.

Banking reform 1, thesis

Raping the third world and suppressing it has led to the few living in the "West", only be the few taking back lands which they own and live on, in a fairer acreage for sustainability (with deeds) can this type of enforced poverty cycle be broken.

We could argue that future generations benefit from an infrastructure built on borrowed money, which if had not been borrowed or invented out of nothing then the infrastructure would not exist to improve their quality of life and sophistication. This depends on whether we are indeed building for long term benefit and sustainability, as opposed to shorterm-ism, and if large percentages of the borrowed debt money (sometimes twice borrowed into existence!) have not been wasted or been incurred at stunningly disproportionate amounts to the original principal sum.

Solving the mystery of capital is a bit like discovering the Grael.

With 400 years of blatant Capitalism, the world exists today with 30,000 people starving to death every day **http://thescotsman.scotsman.com/index.cfm?id=438432005**

The 1st world is a class society where debt buys what we own, and therefore we do not own it.

Ranking sixth from the bottom, these Islands having such a superior economic system, still has 25% of its children living below the poverty line. Being the 4th richest country millions exist on income support, hundreds of thousands, above the current statistics are not classed as homeless, being in Bed and Breakfast. **http://www.oxfam.org.uk/** http://www.thenewnewjerusalem.lsaweb.net/

In any case Capitalism has or will never produce a Utopia or a working class democracy.

10.Appendix E

Correspondence with the Office of National Statistics, the Bank of England, and the Financial Services Agency.

The attempts to contact the above institutions have only been partially successful. The reasoning behind the correspondence was simply to ask them to take part in my survey. Also to update other figures and statistics I had encountered for earlier years.

The rationale concerns the de-regualtion of banking from the 1980's, and what intrinsic value trading and banking rests upon. The questions have been answered in part below.

1) The re-purchase rate is set at 4.75%.

2) The current capital adequacy ratio (previously 10%, and formerly known as the reserve asset/ratio and or liquidity ratio.). This is the cash ratio deposit and is 0.015% of their sterling assets above £500,000,000.

By international agreement (although this is not a scientific or logically agreement) 10% of loans must be held in cash. I.e. £10,000 loaned must hold the equivalent of £1000 in cash. This 10% was only deemed adequate and 30% was sometimes seen as more secure. "Today the only legal/reserve asset ratio requirement on banks is that 0.5% of all of their assets be lodged with the Bank of England in the form of notes and coins" "As a limitation on banking it is also meaningless, since the treasury supplies notes and coins to commercial banks" **Rowbotham (1998)**

As we can see this amount in 1997, has dropped to 0.015%. In the literature review we can see credit unions decide upon 40% to 50% or higher as a reserve.

3) I have had not enough time to discover total capital reserves for 2004 or 2005, for the commercial banks, building societies and securities dealers? but in 1997 commercial banks and building societies amassed a total capital reserve of £89 billion in cash, against £780 billion of debt they had created.

2004 the debt created was £1518.7 billion, which should mean the capital reserves are £150 billion in cash. This would be a useful exercise for those curious to discover, however;

"Despite the fact that the liquidity ratio and capital reserves have been abandoned or have become totally meaningless or counterproductive restrictions, banking theory and economic textbooks still present money creation in context of those supposed restraints".

"Banks build up their reserves in part by creaming off some of the interest they charge to borrowers!"

Rowbotham (1998)

This of course interest on money they have created themselves lent at interest to borrowers who then create a deposit, upon which the bank pays interest, so even the reserves essentially form part of debt, to bolster the debt they then create, in turn the basis to create more debt.

In a run on the bank this amount would not be adequate in any way.

Contents

10.Appendix E

10.1 Data originally requested from the Office of National Statistics

From: "David Bailes"
To: sonas@europe.com
Subject: Re: Fw: National debt statistics 2002, 2003 & 2004 out on 23.3.2005))
Date: Tue, 8 Mar 2005 15:32:13 +0000

Dear Sir

> I believe I have found the majority of the data you are looking for. As indicated in the file you sent me (and as you noted) it is Bank of England data and is not published or calculated by the ONS.
>
Nollaig Griffin
> Office for National Statistics
> Room D303
> 1 Drummond Gate
> London
> SW1V 2QQ

10.2

1st letter to the Bank of England

Information and Inquiries Group.
Bank of England.
Threadneadle Street,
London.
EC2R 8AH

Dear Sir.

I am a Building Surveying Student at Salford University, currently researching a dissertation on Procurement models within the construction industry and their funding.
Attached is a brief questionnaire, which in completing will only take a few moments of your time. Also enclosed is an S.A.E. envelope to return the questionnaire. The questionnaire will remain confidential.

The questionnaire also provides space for any brief comments should you choose to add your own thoughts.

I hope you can help me with me with my research and I appreciate any assistance you can give.

Yours Sincerely.

	YES	NO
Q1 Does the Bank of England envisage a scenario when the lending counterparts may take an opportunity to settle their accounts with you at 0% interest (the February 2005 two week repurchase rate being 4.75%)	☐	☐
Q2 Would you like to settle accounts at interest free credit for construction/procurement purposes, to the lending counterparts.(which in turn could be passed on ?)	☐	☐
Q3 Would you like to settle accounts at interest free credit to the Government for public projects.	☐	☐
Q4 Do you feel interest free credit would benefit business and the economy?	☐	☐
Q5 Do you feel there is need for a separate procurement model with alternative financing to produce an alternative financial environment for construction companys and construction generally?, either public or via the lending counterparts.	☐	☐
Q6 Do you feel it is something you would look into and raise with the government (DTI) in the future?	☐	☐

10.3 Reply from the Bank of England.

BANK OF ENGLAND
Threadneedle Street
London
EC2R 8AH

PUBLIC INFORMATION & ENQUIRIES GROUP
Telephone: 020 7601 4878
Facsimile: 020 7601 5460
Web: www.bankofengland.co.uk
Email: enquiries@bankofengland.co.uk

4 March 2005

Mr P Kelly
c/o Mr John Hobson
School of Construction & Property Management
University of Salford, Bridgewater Building
Meadow Road, Salford
Greater Manchester
M7 1NU

Dear Mr Kelly

Thank you for your letter of 14 February enclosing a survey relating to funding of the construction industry.

I am afraid that it would not be appropriate for us to complete the survey as the questions require us to give opinions relating to the provision of interest free credit. In addition we do not undertake interest rates forecasting.

As you are aware, the Bank of England does not lend direct to the construction industry, although we do collect some data from financial institutions which undertake this type of lending. In our open market operations each day we deal with a small group of counterparties who are active in the money market; banks, securities dealers and building societies are eligible to take on this role. These organisations generally have to borrow money from the Bank to redeem short term securities which the Bank has previously acquired from them. This gives the Bank the opportunity to provide finance at its official interest rate and thus implement monetary policy in the UK. Our counterparties' borrowing from the Bank does not relate to specific types of lending that they may have made.

Although we have in the past, while looking at the funding of small and medium size enterprises, reported on certain sectors, we have not produced any reports on the funding of the construction industry.

I am sorry that I cannot be of any assistance and I am returning your SAE.

Yours sincerely

Diane Davies

10.4

2nd Letter to the Bank of England

M’s Diane Davies.
Public Information and Inquiries Group.
Bank of England.
Threadneadle Street,
London.
EC2R 8AH

Dear M’s Davies.

Thank you also for your letter of the 14 February 2005. (Attached for reference)

I appreciate you could not complete my questionnaire, however your letter as been extremely helpful. I must point out my questions on lending were directed to the lending counterparts and not to the construction industry, although I understand the other questions would only reflect an opinion, being as you do not lend to the construction industry.

Your letter has however raised a further related question for which I would be grateful for further clarification.
As you mention in your third paragraph the lending counterparts generally have to borrow money to and from the bank (of last resort) to redeem or repurchase short-term securities, which the bank previously acquired for them, therefore you could answer the following questions.

1.Can you confirm the re-purchase rate for March 2005 (if different from 4.74 % February 2005), and if this rate is higher or lower for Government borrowing.

2.Please confirm the current capital adequacy ratio (previously 10%, and formerly known as the reserve asset/ratio and or liquidity ratio.)

3.Lastly can you confirm the current level of the total capital reserves for 2004 or 2005, for the commercial banks, building societies and securities dealers?
I appreciate your note concerning the direct funding of small and medium enterprises, can you direct me to a volume or report/data pertaining to these ventures.

Once again many thanks for the Interest you have shown, and I would appreciate your further assistance with my University research.

Yours Sincerely.

10.5 Follow up email to the Bank of England

From: <
> Date: 2005/03/23 Wed PM 04:16:52 GMT
> To: enquiries@bankofengland.co.uk
> Subject: FA.O. M’s Diana Davis
>
> R.E. MY letter of 14.2.2005 & your reply 4.3.2005, and my return inquiry
22.3.2005 (by registered post, with your letter copied for your reference)
>
> Dear M's Davies
> hopefully my letter will have reached you, or the group by now it was
confirmed, by registered post today.I have been advised by the Office of National Stats that the parts relevant to stats are only available from you, and I would be grateful if you could reply by 6.4.2005, to assist my research. As well as posting to the address provided you can if you wish also attach a copy of the letter as a word doc, to save a few days in its journey.
> Once again many thanks for your assistance.
>
> Yours Sincerely

> Mr Peter kelly

10.6 Replies from the bank of England

Hello in order not to keep you waiting I propose answering your questions
as I get the information.

1. The REPO rate has been 4.75% since August 2004. The government borrows through gilts etc, and sometimes overnight from the Bank of

England if they are short, this is may be what you mean and the rate is linked to the REPO rate, as far as I am aware they do not get any preferential treatment. Similarly, local authorities may borrow from us and they also are treated like anyone else borrowing short term. The traditional REPO facility is of course banks etc lending to us not the other way around.

2. the Capital Adequacy Ratio is set by the banking regulator, the FSA, so you will have to contact them at:

www.fsa.gov.uk

0845 606 1234

This refers to how much banks must hold in certain assets etc and determines
then how much they can lend. It is not the same as the amount of sterling deposits they must keep at the Bank of England. This is the cash ratio deposit and is 0.015% of their sterling assets above £500,000,000.

3. I will find out for you.

Kind regards

Roger Beaton

Dear Sir
Our Public Enquiries group forwarded a copy of your letter to me to help with
question 3 (3.Lastly can you confirm the current level of the total capital
reserves for 2004 or 2005, for the commercial banks, building societies and
securities dealers?).
Unfortunately we do not hold this information, however the Financial Services
Authority should be able to help you, they can be contacted via their website at
www.fsa.gov.uk
I hope this helps
Regards

Sarah Waddington

Bank of England
Monetary & Financial Statistics Division
Business Support Unit

10.7 Email to the Financial Services Authority

From:
Sent: 07 April 2005 15:16
To: CCC Consumer Enquiries
Subject: 20050407/RMN031025/Kelly Student Dissertation (Urgent)

Dear FSA (following my phone call today)

Having 3/5 th of my enquiry of the attached letter "Letter to the Bank of England"(one page) answered by the Bank, they have requested i obtain the remainder from you at the FSA.

I have also attached their replies in their two emails as one, one page word document.
I did telephone the Bank to double check, and they again confirmed I should contact you, after speaking to Candice who made enquiries within the FSA, it is certain that the attached two brief enquiries are yours to ascertain.

Question 2. The queries refer to the % of the Capital adequacy ratio) ..and
Question 3. "Lastly can you confirm the current level of the total capital reserves for 2004 or 2005, for the commercial banks, building societies and securities dealers?)."

The attached should be a help to you
I would be grateful for your assistance.
Yours Sincerely
Mr Peter W Kelly.

10.8 Reply from the Financial Services Authority

Dear Sir,

Thank you for your e-mail dated 7 April 2005.

Due to the high volume of queries from consumers, we cannot provide a specific individual response to your query. Therefore we can only refer you to our website, www.fsa.gov.uk as every publication, official document and statement made by the FSA can be found there. To help with your query may we suggest using our online search facility at www.fsa.gov.uk/search which will help locate the information you require.

With regards to the Capital Adequacy ratio, you may like to look at the Interim Prudential Sourcebook for Banks [IPRU(BANK)] which forms part of our Handbook of Rules and Guidance which can be viewed on our website via the following link: http://www.fsa.gov.uk/Pages/handbook/

You also ask about the capital reserves of firms in various financial sectors. We regret we do not have a record of this information. You may wish to contact the Office for National Statistics, who may be able to provide this information. Contact details are:

Office for National Statistics
Tel: 0845 601 3034
E-mail: info@statistics.gov.uk
Website: www.statistics.gov.uk

We hope this information helps with your research.

Regards

E L Taggart (Ms)
Consumer Contact Centre
Regulatory Services Business Unit
Financial Services Authority
Website: www.fsa.gov.uk
Consumer Helpline: 0845 606 1234

10.9 This email advised to return to the Office of National Statistics, who had originally

advised to write to the Bank of England. !

11 Appendix F

11.1 Competition in the marketplace

Whether we recognise the distinctions between supply and demand in competitive markets, of ‘natural liberty’ and ‘free competition’ or ‘perfect competition’, to the ordinary man or woman in the street (the most important factor in society and the economy), these terms may mean they will have to work harder, longer and for less pay.

Nobody considers competition on a more social basis!.

For instance;

1) I worked 35 hours last week and spent over 50 hours quality time with my boy/girlfriend, wife and children and my wages are very good.

2) I worked 36 hours last week, and spent 48 hours quality time with my boy/girlfriend, wife and children and my wages are not as good as yours, but they are still ok.

3) I worked 35 hours last week, and spent 48 hours quality time with my boy/girlfriend, wife and children and my wages are not as good as yours, but I get 7 weeks holidays a year and a company car.

4) I’m looking for work, I would like to work 35 hours a week, have 50 hours quality time with my boy/girlfriend, wife and children, very good wages, a company car and 7 weeks holidays

5) 1, 2, 3 reply so would we!

This type of competitive market is not looked upon as natural liberty, free or perfect competition. Society, people and families are not economic units. Since the mid 1980’s competition leading to breaking up of state monopolies, to privatise sections and bring new private concerns into the bidding has resulted in more monopolies? Not state monopolies but private monopolies whose interests are to get rid of the competition and they have continued to get state help to make them the new monopoly, which of course has no competition?

"As society has become increasingly acquisitive, people have come to expect that certain consumable will need to be regularly replaced, whereas once they were regarded as long term investments and lasted for several decades. Sofas which are on average replaced every 2- 8 years are an example. Demand for innovative products such as microwaves and tends to grow rapidly. In addition people have a strong preference for products, which are new, and for these there is an extra 'virginity value', with new designs with miniscule difference or designs, which return to earlier fashions. This is depicted in the heavy depreciation of second hand goods; the sales value of a car, for example, drops by 50% after the three years – barely 25% of its expected lifespan" **Cooper**

"Forced into intense competition to survive in the market, industries have cut costs and reduced quality to a point where the consumer needs protection from goods that are so cheap that are unsafe. There has to be substantial administrative and legal involvement offered by a third party – government" **Rowbotham (1998)**

Intervention is not only financial in the competition (debt based economy); it is also bureaucratic and administrative. Construction health and safety problems abound and arise in the journals and magazines informing the industry.

"Whole industries have been born out of the social divisions attributable to wage dependence and debt financing, The bureaucratic administration to hold thee divisions amongst people in check are now themselves a major source of employment. The summary of this, is that constant growth and wage slavery creates its own demands, and through social friction and economic waste supplies employment" **Rowbotham(1998)**

This was written under a conservative government.

"Ultimately in a rich world which denies its own wealth and deflects the benefits of advance away from its people, will so corrupt the nature of its economy that it will make itself into a poor world" Rowbotham acknowledges and advanced society will carry a large administrative support network however.

This was fully appreciated by Karl Marx (Quoting De Witt).

"In Holland therefore where this system was first inaugurated, the great patriot, De Witt, has in his "Maxims" extolled it, as the best system for making the wage labourer submissive, frugal, industrious and over-burdened with Labour" **Marx (1906)** (speaking of national debt democracies and debt based financial systems.)

International competition

Writing before the recent explosion in oil prices and the public was made aware of the search for Middle Eastern democracy.(2001-2003)

"And why is oil so cheap ? Well that's what you pay your taxes for; a large part of the pentagon system exists to make sure that oil prices stay within a certain range – not to low, because western economics and energy corporations depend the profits from it, but not too high, because that might interfere with what's called the 'efficiency' of international trade (i.e. because transport and other costs of trade rise with the oil price). Well trade is only ‘efficient’ because a lot of force and international violence keeps oil prices going too high, so if you really wanted to sure the ‘efficiency’ of trade, you’d have to figure in all of the other costs which makes it that way, like the costs of the Pentagon for one ”.

Wastage seems to occur across all hemispheres.

“If anybody ever bothered to calculate these things, the efficiency of trade would drop very, very low, and it would in fact prove to be very inefficient” **Chomsky 2003**

“Back around 1970, about 90 % of the capital involved in international economic transactions was being used for more or less productive commercial purposes, like production and trade, and about 10% was being used for speculation. Today those figures are reversed; by 1990, about 90% was being used for speculation, and by 1994 it was up to 95 %. Furthermore, the absolute amount of speculative capital has just exploded; the last estimate from the world bank was that there is now about $14 trillion involved-which means $14 Trillion is free to transfer from one national economy to another, an amount which just overwhelms any national governments resources, and leaves government with only an extremely narrow range of choices when it comes to setting policies” **Chomsky 2003**

“Nobody ever tries to estimate them because economics is not a serious field” **Chomsky 2003**

Competition then is relative and almost impossible to measure, yet it seems to always be the workers who bear the brunt of the race? Thankfully along with taxpayers reclaiming their taxes, higher wages and fewer hours, there are others who regard this approach as benefiting business

Banking reform 1, thesis

Harvard University instrumental in the development of the Hawthorne experiments, originally researched by Mayo, Roethlisberger and Dickson (1924 – 1932), continues its research into keeping the workers feeling of well-being, in order to increase productivity to this day. A recent review from the Harvard business review has concentrated on the following

"Funny thing is, research shows that naps not only reduce the rate of heart attacks, but also lead to greater energy, effort, alertness, reaction-time, problem solving, and productivity -- not to mention the estimated $18 billion cost to US business from sleep deprivation. The value of well-rested employees has prompted several businesses to create napping facilities; akin to the way hospitals have resting places for doctors and nurses working long or unusual hours. Latinos and Europeans have long known the value of siestas. Now modern American business is taking a serious look at a funny issue. The Art of Napping (Larson Pub., '98) and power Sleep (Villard, '98) argue the case for supervised naps to increase productivity and profit"

http://www.businesspsychologist.com/bpnews201.html.

Obviously diverting all of this vast wealth into the mouths of the people worldwide will require some effort in "Solving the mystery of Capital", but the vast fortunes once reclaimed could lead to easier more halcyon days, where competition in the workplace means who has had the most enjoyable siesta.

12 Appendix G Contents; 1.Index 2.Questionnaire replies.

B/F 106, 3.Index 4.Questionnaire replies. C/PD/I 155 =261

Contained in this appendix, are the entire replies of questionnaires (not on the internet version)

B/F 106, & C/PD/I 155 =261 returned from the banks and finance houses, and also construction companies, property developers and investors.

1) There are two sections, the first being banks and finance houses, they are immediately preceeded by an index in both instances

2) The index works by alphabetically looking up the company or bank you are interested in. Next you will notice to the left of the name in the index, if it has a red highlighted infill over the number. If it has, then that institution has replied and will be included in the attached questionnaires.

3) The second section is construction companies, property developers and investors; the same indexing system precedes it. red highlighted infill over the number for a reply

In the Research methodology the name and number of those institutions chosen to analyse are of course already known, as are the two examples in Appendix D.