Iceland Has Jailed The Bankers - Now They propose Reforming Banking

Summary:
Report identifies corrupt monetary system as root cause of financial crises. Iceland may take away the power of private bankers to issue money. Under the so-called Sovereign Money proposal, the country's central bank would become the only creator of money. This is the banking cartels worst nightmare but it must be done.

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Iceland Looks At Ending Boom And Bust With Radical Money Plan

Iceland's government is considering a revolutionary monetary proposal - removing the power of commercial banks to create money and handing it to the central bank.

The proposal, which would be a turnaround in the history of modern finance, was part of a report written by a lawmaker from the ruling centrist Progress Party, Frosti Sigurjonsson, entitled "A better monetary system for Iceland".

"The findings will be an important contribution to the upcoming discussion, here and elsewhere, on money creation and monetary policy," Prime Minister Sigmundur David Gunnlaugsson said.

The report, commissioned by the premier, is aimed at putting an end to a monetary system in place through a slew of financial crises, including the latest one in 2008.

According to a study by four central bankers, the country has had "over 20 instances of financial crises of different types" since 1875, with "six serious multiple financial crisis episodes occurring every 15 years on average".

Mr Sigurjonsson said the problem each time arose from ballooning credit during a strong economic cycle.

Frosti Sigurjonsson's report, entitled A Better Monetary System For Iceland

He argued the central bank was unable to contain the credit boom, allowing inflation to rise and sparking exaggerated risk-taking and speculation, the threat of bank collapse and costly state

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interventions.

In Iceland, as in other modern market economies, the central bank controls the creation of banknotes and coins but not the creation of all money, which occurs as soon as a commercial bank offers a line of credit.

The central bank can only try to influence the money supply with its monetary policy tools.

Under the so-called Sovereign Money proposal, the country's central bank would become the only creator of money.

"Crucially, the power to create money is kept separate from the power to decide how that new money is used," Mr Sigurjonsson wrote in the proposal.

"As with the state budget, the parliament will debate the government's proposal for allocation of new money," he wrote.

Banks would continue to manage accounts and payments, and would serve as intermediaries between savers and lenders.

Mr Sigurjonsson, a businessman and economist, was one of the masterminds behind Iceland's household debt relief programme launched in May 2014 and aimed at helping the many Icelanders whose finances were strangled by inflation-indexed mortgages signed before the 2008 financial crisis.

The small Nordic country was hit hard as the crash of US investment bank Lehman Brothers caused the collapse of its three largest banks.

Iceland then became the first western European nation in 25 years to appeal to the International Monetary Fund to save its battered economy.

Its GDP fell by 5.1pc in 2009 and 3.1pc in 2010 before it started rising again.

Additional Information

There have been examples where governments took back their constitutional powers to manage currency issuance. In effect this means that governments do not need to borrow money from private bankers and then tax citizens to pay interest. See links below regarding - The Bradbury Pound and The Lincoln Greenback

Websites For More Information: Iceland Looks At Ending Boom And Bust With Radical Money Plan
http://www.telegraph.co.uk/finance/economics/11507810/Iceland-looks-at-ending-boom-and-bust-with-radical-money-plan.html
Full report - "A Better Monetary System For Iceland" by Frosti Sigurjonsson -
http://www.scribd.com/doc/260617614/Iceland-Monet
Bring Back The Bradbury Pound
https://www.youtube.com/watch
The Lincoln Greenback
http://www.webofdebt.com/articles/lincoln_obama.php

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