Submission to National Urban Policy Consultation

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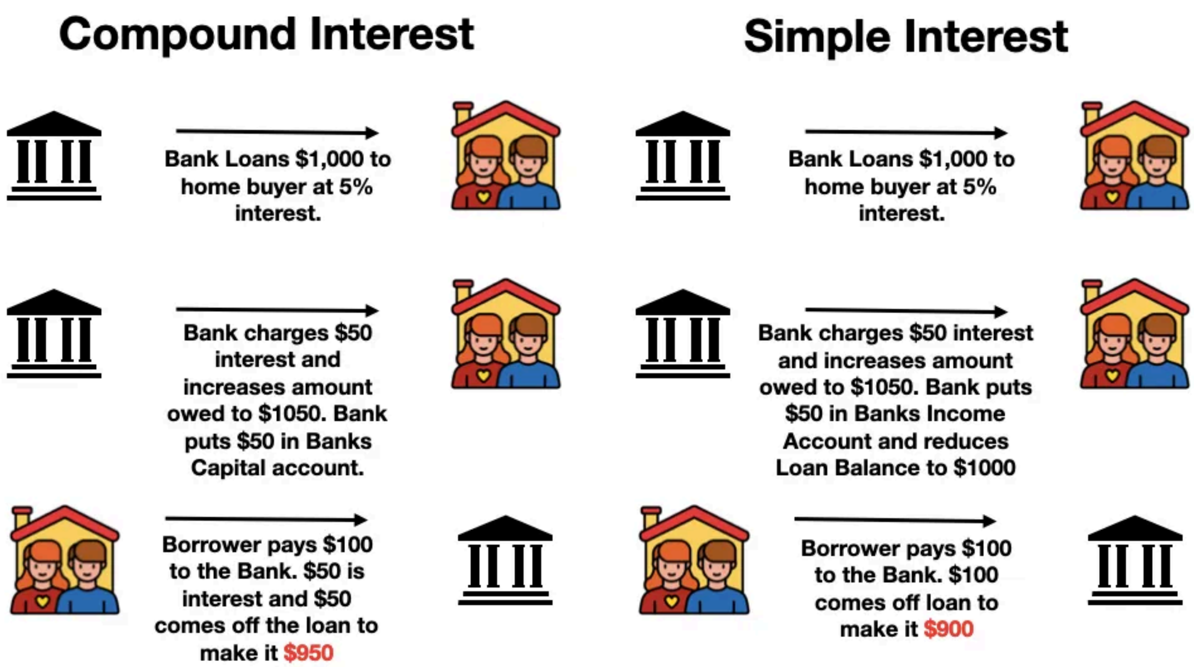
For Pre Power Co-op One Limited

Funding backed by the trillions of dollars of existing urban assets



The draft consultation National Urban Policy has 29 references to funding. There is no mention of where this funding will come from or who will own and maintain the assets built with the funds. This submission outlines how to obtain the funds, who will own the assets created, and how they will be maintained and developed.

Specific recommendations on the behaviour of banks are:

1. **All banks should use simple interest, rather than compound interest,** on their loans. The use of compound interest is unjustified, and how it is implemented and advertised is unethical and may be illegal.
2. **Banks use existing money on deposit as savings to transfer ownership of existing assets.** There is no need to transfer an existing asset in one transaction, and it can be purchased incrementally without a loan; however, if it is purchased outright with a loan, it should use existing savings, not new government money.
3. **Banks use new money for government and community loans.** It is government and community money, and banks should be able to lend it at low interest and have an arrangement for compensation for bad loans.
4. **Governments allow specified new money loans to be partially repaid**. As it is the government's money, the government can specify how much needs to be repaid. For example, it makes no sense to repay money used for social service payments.

The outcomes for housing from changing to simple interest will be:

- The Reserve Bank and the government will work together to maintain tight control over inflation, aiming to halt inflation in the value of real estate assets.
- Investors will receive an inflation-adjusted annuity of 10% for 20 years.
- Occupiers of homes will pay 25% of their disposable income and receive occupation of a dwelling and ownership of 12.5% of their income in ownership with each payment.
- The funds will come by monetising existing stagnate assets that local communities will take custody of and responsibility for. For example, Permanent Home Markets across Australia will halve accommodation costs by removing unnecessary bank loans, freeing up to 500 billion in static house prices for urban projects while keeping the dream of home ownership alive.

Background to the Submission

This submission is not a new form of money, and the approach fits seamlessly into the existing system. It is easy to implement and can be implemented without legislative changes, as banks who implement it will outcompete banks who don't.

The approach uses ideas from Modern Monetary Theory, which states that money is not created from profits but from government decisions to create it by putting it into bank accounts. Today, except for "emergencies" like wars, pandemics, and financial collapse, new money is only put into bank accounts as a loan that will make a profit. This submission presents an alternative where new money replaces some existing taxes and goes to investments that build assets for the commons.

Adopting the measures outlined here will halve the cost of most investments by eliminating the need to rent money. Monetising existing stationary assets for further investment in the commons will supply the money needed and keep ownership in the communities paying for and using the assets.

The Financial System

The banking system is extraordinarily inefficient. This is expected as it has remained unchanged since its creation with the first banks and double-entry bookkeeping. The underlying algorithms were designed to preserve the wealth of the rich in feudal Europe. It does this by inventing a virtual product called capital, with the amazing property of creating more money all on its own and without cost. Money is assumed to be owned by the holder, and people renting it out are entitled to a share of the borrower's profits. It is called interest, but the double-entry bookkeeping is arranged so that interest is collected twice through the invention of capital. One interest payment is deemed a capital gain to the lender for the use of the money by the borrower, and the other is the cost of operating a loan system where the interest is collected again as part of the operating costs.

Interest is justified, but collecting it twice and pretending it is collected once is not.

Today, banks can create money for loans by putting new money into a borrower's bank account and charging interest. Each month, the bank increases the borrower's debt by taking money out of the person's account and transferring it to the Bank, saying it is the share of the borrower's profits from using the funds. Today, this is a lie. If it was rent on money, the extra money should go to the government or the depositor. This makes some sense when the bank lends existing money, but it is wrong today when it is new government money and the interest is charged again as part of banks' operating costs.

A solution is for banks to charge a service fee once for arranging the loan, managing deposits, and taking on the risk that the loan will not be repaid. The change is implemented by deducting interest payments from the amount owed and is called simple interest.

The error of thinking of some money as capital that has the property of earning more money or "unearned income" is rife throughout the financial system and should be eliminated. The simplest way to start is to change bank loans by banning compound interest loans on bank loans. This does not stop savings compounding by leaving the interest in the bank, but will stop debt compounding.

New money loans

As new money belongs to the government, it can be used for its own expenditures and remove most of the need to tax citizens. All government expenditures to create new assets can be used to develop community and government-owned assets. Once an asset is made, it can be recycled with existing money by using permanent asset markets. As permanent asset markets preserve the assets, the only extra money needed is to maintain and extend the assets. It is expected to double the efficiency of the financial system because it can halve interest payments.

[This submission to the ACT Government expands on the previous ideas.]

This article shows how the approach can create secure, private, low-cost community identities.

This article shows how to “rewire” urban areas with new government money and community electricity.