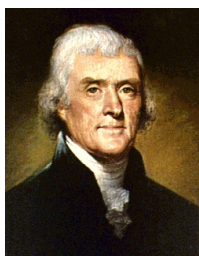


Money and constitution.



«I believe that banking institutions are more dangerous to our liberties than standing armies. If the American people ever allow private banks to control the issue of their currency, first by inflation, then by deflation, the banks and corporations that will grow up around [the banks] will deprive the people of all property until their children wake up homeless on the continent their fathers conquered.». Thomas Jefferson, 1802.

This warning affirmation, credited to the third president of the United States of America, shows the danger involved for a state or a community of states when the public ability to devise or to invalidate money becomes denationalized.

Traditionally, in many states it was their central banks which were in charge of producing public money. A money made up of coins and bank notes which circulate anonymously from hand to hand, generally without leaving any trace, and which allow to procure both lawful and unlawful goods.

But for some time now, many states and some communities have been delegating their ability of inventing public money to private financial concerns, which produce the money and lend it to governments, either directly or through other financial companies. The most illustrative case of this situation is that of the United States of America, with their Federal Reserve System, and the Euro zone.

There is a commitment that the money lent has to be paid back with an interest after some time, both the base capital and the interests.

An example in the film *Concursante* (Contestant).

The interest on the loan is a shortcoming of the system which, in the long run, will inevitably cause the emergence of bankrupt debtors.

In order to understand more easily the problem of a loan to be paid back with interest, the short video of 6 minutes 51 seconds, a fragment of the film [*Concursante*](#) (*Contestant*, film in Spanish), will be clarifying.

In this video a man explains to another, both sitting around a chess set, that a banker, black piece, lends the only 100 coins available to ten people, ten white pieces, at the rate of 10 coins per person. Each white piece offer their properties as a guarantee for the loan.

After one year the banker, black piece, claims from each white piece the base capital, 10 coins, plus the interests, one coin. 11 coins from each white piece, in total 110 coins.

The problem is that the black piece is claiming 110 coins, while there are only 100. But the black piece says that there is no problem. The banker, in order to make things easier, for that year demands only one coin from each white piece.

After ten years each of the white pieces has paid back to the banker, black piece, the ten coins they had, at the rate of one coin per year. But each of the white pieces still owes eleven coins, if we

dismiss the fact that the interests could be cumulative.

At the end the ten white pieces become bankrupt debtors, and the goods they had offered in guarantee become the property of the banker. And all this in exchange for nothing.

The states and the debt with interest.

Companies are profit making organizations which, in the best of cases, make profits which allow them to pay back the debts they have run into with the financial concerns.

It must be pointed out, however, that states are not profit making companies, but use the money to obtain resources, building infrastructures and offering public services. For this reason they will not only not be able to pay back the interests of the borrowed money, but they will also not be able to pay back the base capital.

This explains why the states, whose ability to invent money has been denationalized, see their indebtedness increase year after year. Sooner or later, the moneylenders will demand to be paid back the accumulated debt, and the state will have to increase taxes, to cut down on the budget, to sell and denationalize its infrastructures, health, education, services and public pensions.

The European treasury and debt disunion.

Joan Casals, who was the president of the PIMEC (Petita i Mitjana Empresa a Catalunya – Small and Middle Enterprise in Catalonia) published an article under the title [*The European tax disunion*](#), in the Catalan newspaper *Avui*, on July 16, 1997. In this article he warned against the danger of a monetary union in Europe without a tax union. A tax union would have implied an economic payment by the countries with a higher production to those which had a lower one, as is being done in the USA. Without this tax union, less productive states, such as Greece, have ended up with an economic collapse and with serious budgetary reductions, because of the debt build up.

Even the economic and data processing expert [Martin Armstrong](#), when he was approached by the European authorities for advice on the creation of the Euro, advised to apply a tax union in addition to the union of the public debts of the different states in a European joint debt. Both measures were rejected.

The case of the Spanish state.

The Spanish state having the *peseta* had its own competence to invent public money without generating debt until 1998, when the head of the government José María Aznar, with Rodrigo Rato and Mariano Rajoy as vice-presidents, undersigned the transfer of this competence, which was then in the hands of the Bank of Spain, to the European Central Bank, within the new European common currency.

On January 1, 2002, the European Central Bank allowed the emission of Euros, by way of loans which it received from private financial concerns. In theory, these Euros must be paid back at an interest. In practice, the payment back of these Euros is impossible.

At the beginning, when the loan is established, the debtor has money availability to spend, it seems as if there were plenty of money on the market, and his economy is flourishing. But when the loan arrives at maturity and it must be paid back with interest, privation and destitution appear. It is what is said in the starting paragraph attributed to Thomas Jefferson, and what happened to the Spanish

economy with the initial increase of property mortgages and the ensuing crisis.

The different Spanish governments have had to cut down on their budgets and to compel the autonomous and municipal administrations to do the same. The public pension funds have decreased by 200,000 million Euros in successive acquisitions of state public debt. With these revenues, the result of the purchase of public debt, and the purchase of public debt by the financial concerns, the state government is able to balance its budget. For the time being.

The debate on a new Catalan constitution.

A sentence by the Spanish Constitutional Court on the project for reforming the Autonomy self-government statute of Catalonia, which had been prepared through a deep participation of the Catalan society, restricted for this autonomous community many functions and attributions which it was expected to assume again in this bill, functions and attributions that the same court had not rejected in the projects of reforming the statutes of other Spanish autonomies.

This situation has awakened, in a great part of the Catalan society, the will to recover the national freedoms which were lost centuries past, to create a new state and, therefore, to prepare a new constitution. Among the allegations in its favour is the necessity to put right the Catalan economy, which suffers an important yearly chronic deficit in its tax balance with the Spanish state.

There have been some initiatives for a constitutional debate, one of them coordinated by judge Santiago Vidal (<https://www.unanovaconstitucio.cat>). In its original articles draft the following article is submitted with respect to money:

Article 89. Currency and the Central Bank of Catalonia (CBC).

1. *The euro is the legal tender in the whole of the Catalan State.*
2. *The emission of coins and notes will be the exclusive scope of the Central Bank of the republic, in accordance with the standards and limitations given out by the European Central Bank.*
3. *The permanent seat of the CBC will be the city of Barcelona.*

Being aware that the euro is a currency generated by means of a debt with an unpayable interest, and the difficulties to modify this feature within the European institutions, **the consequence, in the long term, of assuming this article 89, in its sections 1 and 2, in a hypothetic Catalan state, may mean the ruin of the state and of its society.** The same consequences which may face the Spanish state and the whole of the Spanish society if they carry on in the same way.

To this effect, it would be much better for the suggested constitution not to mention at all its monetary system, to give freedom to its public institutions and to its people to take up other better solutions, rather than imposing an official single sort of currency based on the debt with interest. It is the case of the first draft of another project for a Catalan constitution which is being discussed at present in the internet (<http://www.constitucio.cat>). A team of lawyers is working out a common ground project (<http://www.reiniciacatalunya.cat>) with contributions from the existing drafts of constitution, gathering suggestions from other areas and listening to the different opinions from the people.

What is valid for the constitution project of a hypothetic Catalan state, is also valid for any other constitution project of any other state.

Complementary currencies, social and local.

Jordi Griera, industrial engineer and co-founder of the Institute of Social Currency, tells us in some of his talks, as for example [La moneda, la gran desconeguda](#) (*Currency, the great unknown one*), given in August 2, 2013 at Figueres, and [La moneda social](#) (*Social currency*), of June 2014 given at Castellnou del Bages, that in some places in the world there are social nominal currencies which liven up local economy. For example in Switzerland since about 80 years there is a complementary currency called *Wir*, which operates successfully for 60,000 companies in this country, with a volume equivalent to three thousand millions Euros, according to a documentary made by RAI. This social currency offers money availability within the market, its monetary flow not being limited by successive loans to be paid back at an interest.

Besides, it must be remembered that the great banks use to earmark 98% of the money invested by their clients in stocks which offer a high return, for example currency speculation, oil and its by-products, arms, etc. Only 2% becomes invested in the same market from which this money comes. This makes the proximity market to suffer a great disinvestment. The responsibility for this situation does not accrue so much to the banks themselves, but to the clients who demand these high returns.

For this reason, the production and consumption economy suffers a great capital shortage (*deflation*). This capital, on the contrary, is plentiful in the speculative economy (*inflation*). This is called *stagflation*.

On the contrary, the money flow of a social currency remains wholly and without any loss within the market where it is produced. In the case of *Wir* its activity is countercyclical: it increases under situations of depression and decreases in situations of plenty, thereby softening the effects of the crisis.

Nominal currencies.

In the origin there was a nominal currency. According to the article [The Earliest Precursor of Writing](#), by archaeologist Denise Schmandt-Besserat, published in the magazine *Scientific American* in June 1977, the economy of the bank-temples of the empire-cities of Sumer from about 8000 to 2300 b.C., was based on current accounts of clay tokens pierced and held together with strings, delivery notes made as baked clay balls with the tokens inside, and contracts of cheque-invoices with tablets made of baked clay. Their introduction occurred in a period of growing peace.

Anonymous currency has existed for about 4300 years. Its birth happened at the beginning of the first imperialisms. Together with the notes it allows both the purchase of lawful goods, such as food and cloths, and of unlawful goods, for example the reputation of a person. They are the main factor of corruption of society.

The telematic nominal money may circulate more quickly. It can leave a trace and, therefore, a judicial proof of each exchange. This feature promotes ethics and responsibility. It allows a more transparent economy where each agent may know the details of the whole market on equal conditions.

The social currency *Wir* in Switzerland, the same as other social currencies, for example the *Turuta*, of Vilanova i la Geltrú in Catalonia, are nominal social currencies, in alternative to the official ones. They encourage local economy, transparency in the exchanges, and the limitation to lawful goods

and services. They are therefore a check on corruption.

It is clear that the constitution of a state should not forbid these experiences if it wants to avoid the impoverishment of its society.

A bank free of interest.

In order to mend this fault of the system which is the interest on loans, there have appeared two bank initiatives innovating on this matter. One of them is the Swedish *Jak* bank, and another one the [Islamic bank](#). Both offers of the ethical banks without interests are excellent examples of a practicable alternative both for the private bank as for the system itself.

The General System.

Agustí Chalaux (1911-2006) and Lluís Maria Xirinacs prepared, together with other associates, the General System. A political, economic and social model where the existence of an exclusively nominal money is submitted. Within their association, the Centre d'Estudis Joan Bardina, they drafted a first book called [Tercera Via](#) (*Third Way*, book in Catalan), which has gone unpublished for thirty years, but was inspired by others published previously, such as [An instrument to building peace](#), [Essay on currency, market and society](#), [Telematic currency and market strategy](#), and [Decrees for a constitution in the 21st century](#).

Within the General System, the ability to create public money rests within the community, being responsible for this the public administration, either the townships or the community of states having their own currency.

The virtues of ethics, transparency and responsibility are encouraged by a nominal currency which leaves a judicial proof of every exchange, and which allows to know, with full knowledge of the facts, the statistical details of the whole market. The economy planners and specialists may see that this field of study becomes a real science. The tax fraud becomes more difficult and the taxes may be lessened if there is a tax on every operation and a tax on the land to bring about a non aggressive municipalisation.

A consequence of a nominal currency is the introduction of a universal basic income. At the beginning, the General System claimed a social salary only for the people which had no income. But specialists of the basic income have observed that the social salary is a positive discrimination which encourages unemployment, while a universal basic income, more reduced but offered to everybody and compatible with any other income, encourages the increase of paid employment, because then everybody becomes a consumer, merchants can see their goods and services sold, and may offer more employment. Material destitution is then eliminated.

By combining the measures of nominal currency and basic income, delinquency because of money, which usually fills the prisons, goes down dramatically, because nominal currency makes difficult the opportunity of transgression, while the basic income reduces the need for it.

Within the General System, Justice is the owner of the telematic currency networks. It is completely independent from the lawmakers and executioners of the state, and manages a fixed part of its budgets, both the ordinary and the extraordinary ones. An independent justice with enough human and material resources may help to solve very quickly the conflicts which appear within society,

without losing the necessary legal rights, helping judges and courts to overcome the best temptation of accepting bribery.

Chaloux and Xirinacs stated a working hypothesis, which may only be demonstrated within a scientific economy based on nominal money, on the possible existence of a [communal capitalism](#) or mercantile common good. A hidden wealth, based on inventions which no longer pay for patent rights, should it come about, would allow the invention of the necessary money to sustain public expense, thereby reducing taxes to a minimum of economic caution.

Within the constitution of a state, the General System suggestions stand for the grounds of a true lawful state and the opportunity for a more fair society. Its successive introduction in the different world states may also be an encouragement for a growing pacification at all levels of the whole of mankind.

The Centre d'Estudis Joan Bardina Team.

Wednesday, 11th November 2015.

Translation: Loto Perrella.

Original links:

<http://www.bardina.org/nw/escrits/money-and-constitution-en.htm>

<http://www.bardina.org/nw/escrits/money-and-constitution-en.pdf>

Original website:

<http://bardina.org>