Can The Jeremy Corbyn QE Plan Work?

By ***Alexander Baron*** - *Aug 21, 2015*

Jeremy Corbyn

Recently, it was reported that Jeremy Corbyn had proposed what has been called Quantitative Easing for people. If you are no *au fait* with QE, check out the background to it here, or in one of the videos by the Bank of England that explains it. QE is often referred to as printing money electronically, which is not quite true, basically it consists of the central bank monetising debt, which is another way of saying it plays games with bits of paper.

As Robert Peston of the BBC reported on August 12, since 2009, the Bank of England has created £375 billion through this process, which begs the question where has all this money gone? The simple answer is that it has gone to the banks. For free! That is what banking is all about. Corbyn wants to engage in another round of QE but with a difference, he wants to print this money, buy up and cancel debt, spend it into circulation on such things as infrastructure, or simply give it to people to spend. Peston's article is hostile to that idea, and to combat it raises the usual facile objection of hyperinflation citing Weimar Germany and liberated *Zimbabwe* as two examples of what can and will surely go wrong if this were to happen. Peston is not dishonest, he is simply a prat. In the first place, Weimar Germany and *Mugabeland* are not comparable. When Mugabe took charge of then Rhodesia, it was prosperous, and in time under white rule would have developed into a modern state perhaps comparable even with Western European nations. Instead, seeing only *racism* and inequality, he embarked on a campaign of *Africanising* white businesses, a process that sounds suspiciously like the *Aryanising* of Jewish businesses by Nazi Germany. The result was predictable, and indeed was predicted by many, a ten thousand acre farm owned and managed by a few whites may sound unfair, but ten thousand one acre farms owned by peasants does not have the same economies of scale. When this nonsense failed and when no one would contribute to his begging bowl anymore, he resorted to printing money, which without goods and services behind it, was worthless.

In the Germany of 1923, there may have been hyperinflation, but this was a deliberate tactic by the Weimar Government. After losing the First World War, Germany was stripped of its territories, and massive reparations were imposed on it by the *Treaty of Versailles*. By running the printing presses, the Government wiped out the country's debt; this was a painful process, but it worked. Unlike then Rhodesia, Germany was a highly industrialised country with an intelligent, skilled workforce. After Weimar came Hitler, of course, but he transformed the country, and if he hadn't been so ambitious globally or so foolish as to instigate a nationwide and then Europe-wide persecution of Jewry, the Second World War would have been averted and Germany would have continued to flourish. Also, you would not have been born because the course of history would have been entirely different, but that is a minor detail. It was not though Hitler who was the financial brains behind the recovery but Gottfried Feder, who recognised the importance of reinflating the currency. Feder called this breaking the thralldom of interest. Lest anyone think this was a 20th Century phenomenon, there was also the Guernsey Experiment of the 1820s when the island rebelled against the banks, and printed its own money. Abraham Lincoln did likewise with his famous greenbacks.

The important point to recognise is that money should be first and foremost a medium of exchange, not a debt. As long as there are goods and services behind it, money will retain its value, but in practice no real economic activity is possible without it, and if the banks will not issue it, the Government must.

Why then do so many people oppose this simple wisdom? The even simpler answer is that they are all on the take. Pensioners worry that if the Government prints its own money and doesn't pay interest on their bonds, their income will stagnate or even dry up, but of course if money is cheap, then prices and especially taxation will fall. The people who manage these funds are also none too happy, but that is because they are professional parasites; the Government should abolish all of them and allow people to manage their own pension pots, in lieu of which a state-run fund could do this. Indeed, in March last year, George Osborne made it easier for people to manage their own pensions. If you think this is a bad idea, read *The Shares Game*, and you will understand.

There is though one massive obstacle to Corbyn or anyone effecting such a change, this is the *Maastricht Treaty*, which has in effect made us all slaves of the European Central Bank. European governments are prohibited from financing their deficits by printing money. This means they have broadly three options: selling goods and services, borrowing (at interest) or taxing their citizens. In practise this means heavy taxation – something to which Corbyn is not opposed but should be – and yet more borrowing followed by yet more debt.

Assuming he can be elected Labour Leader and then Prime Minister and then pull us out of Europe, five years from now we could be on the road to recovery. Or some other government could do something similar, Greece perhaps? In the meantime, don't hold your breath.