

*an intriguing suggestion...but would it
work?*

DAVID CRONIN

Creating New Money - A Monetary Reform for the Information Age

Joseph Huber and James Robertson
New Economics Foundation, 2000
ISBN 1-899407-29-4, £7.95 in UK

In this new book, Joseph Huber and James Robertson propose a significant reform of the monetary system as it now exists. At present, there are two issuers of money in the economy. One is the central bank, which issues notes and coin (or 'cash'), and the other is the commercial banking sector which creates deposits (or what the authors call 'non-cash' money). Huber and Robertson's proposal essentially is for the central bank alone to become the sole supplier of both forms of money.

Their proposal would effect a radical reordering of the monetary system. As they see it, the key benefit of this reform is that it will recapture seigniorage (or the profits of money issue) from commercial banks and provide an additional source of funds to government for using either to increase public expenditure or to reduce tax rates. They also argue (pp. 41-42) that their seigniorage reform proposal will have environmental benefits by removing the creation of new money as debt that is seen as a contributory factor to unsustainable development (as argued in greater detail by Douthwaite in *The Ecology of Money*).

Huber and Robertson's proposal is a stimulating and intriguing one. The study of money is arguably the most difficult area of economics, in what to many is already a complex, even esoteric, subject. Yet, because Huber and Robertson's basic proposal is a straightforward one (that by restricting the issue of both cash money and non-cash money to central banks, monetary and economic performance can be improved), they have written a book that is accessible to those with little background but an interest in economics, without compromising on the need to outline and defend rigorously their proposals to an economist audience. The latter group will be particularly glad that the authors anchor their proposal on its ability to minimise inflation and to provide viable media of exchange and stores of value.

Could the 'plain money' proposal, as the authors term it, succeed today or in the future? Having noted the authors' promotion of the scheme as a monetary reform for the Information Age, my reaction to this particularly important question is to query whether it would succeed in the Information Age. It may not do so because the Information Age is delivering technologies that make control and regulation of money markets difficult (just as it is proving difficult to regulate other related areas, such as the Internet).

Because the 'plain money' proposal appears to rely heavily on government control of media of exchange issue, the very nature of technological developments at this time may make such monetary control (or any other form of centralised control) increasingly difficult. (See, for example, F.X. Browne and David Cronin, 'Payments Technologies, Financial Innovation, and Laissez-Faire Banking: A Further Discussion of the Issues', in J.A. Dorn (ed.) *The Future of Money in the Information Age*, Cato Institute, Washington D.C., 1997). At the same time, it may be that this new electronic technology, by allowing rates of interest to be paid on money issue that equate with the interest earned by commercial banks on their loans, can in itself succeed in minimising or effectively eliminating seigniorage within the economy.

Recognising that all publications ultimately represent work- or thought-in-progress, this may provide an interesting next avenue for Huber and Robertson to carry their research forward. In the meantime, they are to be complemented for providing a detailed monetary reform proposal and for engaging in a policy debate that is likely to become of greater importance to academics and policy-makers alike.

David Cronin is an economist with an interest in the impact of technological developments on money and finance. The views expressed in this review are his own responsibility. He lives in Dublin.



This book review is from the first Feasta Review, a 204-page large format book. Copies of the book are available for £15 from [Green Books](#).