Banking and the Control of the Credit of the Nation

By
The Public Banking Forum of Ireland

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A Briefing for the Public and all Political Candidates

Banking and the Control of the Credit of the Nation: **Public Banking Forum of Ireland** - May 2024

Below, you will find information that totally contradicts the mainstream narrative – We have been kept in the dark and deceived. Links are provided for verification, so please check the information for yourself.

1. Only c. 3% of the money supply is cash, the remainder is digital, i.e. digits on bank computers.[1]
2. Your "deposit" with the bank is actually a loan to the bank, technically you don't own it.[1, 2 & 15]
3. When banks facilitate loans, they create new money/credit from nothing; no money is transferred from anywhere inside or outside of the bank for the loan, rather, it is created on the *bank's system*.[2] This was proven by Prof. Richard Werner as he followed his €200k loan through the *banks' system* in Germany. *"Banks are in the business of purchasing securities"*, i.e. your loan contract.[2]

This extraordinary power is in the hands of the private for-profit Banking Industry; in Ireland this power is, for the most part, with the too-big-to-fail duopoly of Bank of Ireland (BoI) and Allied Irish Bank (AIB). In 2018 Dowling Finance estimated that AIB & BoI together held 75% of current accounts in the Irish State.[3] They are multinational, billion euro corporations[4] and both, together with Permanent TSB, command over 90% of the new mortgage lending in Ireland;[5] BoI has 40%[6], AIB 35.4%[6] and PTSB 18.5%[7] respectively. Furthermore, they account for c. 80% of new lending to small businesses in Ireland.[8] "Bank rejection rates for SME loans and/or overdrafts in Ireland are more than twice the rates in comparator countries," (CBoI, Central Bank of Ireland).[8] Ireland had 12 Retail banks in 2008/9, essentially, this number has now been reduced to 3 i.e., BoI, AIB and PTSB.[9]

Banking Sector of Ireland - TheBanks.eu[4]

	Market %	Total Assets	Profits 2023	
1. Bank of Ireland	21.59 %	€151.32bn	Retail banking	€1.9bln pre tax
2. Barclays Bank Ireland plc	18.91 %	€132.53bn		
3. Allied Irish Banks, Plc	18.51 %	€129.75bn	Retail banking	€2.058bln after tax
4. Citibank Europe plc	18.45 %	€129.29bn		
5. Bank of America Europe DAC	10.29 %	€72,132mln		
6. Permanent tsb plc	3.70 %	€25,933mln	Retail banking	€267m pre tax (2022)

The States' equity stake - The State now has a less than 50% (c. €5bn) equity stake in AIB[10] (Aug 2023) and a 57% (€0.7bn) equity stake in PTSB (June 2023)[11], but these banks are run on a strictly private, for-profit basis.

The credit of the nation is in private hands. These banks control the quantity of credit, who gets it, the purpose for which it is to be used and the price charged for it (the interest rate). Their past record, under the watch of the CBoI & ECB, allowed credit creation of over 20% p.a. from 2004 to create the artificial boom

They are essentially *Boom-bust merchants* driven by political and other nefarious agendas. Their business and lending are strictly profit-driven and market-control motivated; the prosperity of the community is filtered strictly through the lens of its potential to generate maximum profits for the banks and their shareholders. Since these banks hold over 90% of the market, control is in the hands of three publicly unaccountable bank CEOs and Boards. It is interesting to note the key corporations who hold a seat on these 'big bank' Boards.

Clearly, the control over the creation and allocation of Ireland's credit supply needs to be urgently addressed and taken back into public control via the establishment of community-public banks that are publicly accountable.

ECB & Small Banks:
International Banking Professor Richard Werner notes that '… *In the eurozone, more than 5,000 (mainly small) banks have disappeared since the ECB started business a little over two decades ago."* [12] It is widely acknowledged that small banks tend to lend to small companies while the big banks don't want the hassle. 2021 CSO data shows that 68.4% of people are employed by SMEs, Small & Medium Size Enterprises. [12a]

Credit for Asset Speculation -v- for the Productive Economy: An urgent and serious national discussion is essential in Ireland around the creation and allocation of credit for asset speculation as against credit creation for the productive economy, i.e. that which delivers non-inflationary growth and contributes to GDP.

CBDC & UBI:
Central Bank Digital Currency (CBDC) will further centralise control of the currency, this time in the hands of the Central Banks. It will primarily be a centralised, totalitarian control system as the currency will be programmable for whatever purpose the banks dream up at any point in time, e.g. devaluation of currency, expiration at their whim or control over what the consumer can purchase. Universal Basic Income (UBI) will be the *carrot & the stick* used to get all on board.

The PBFI promotes the extensive use of cash everywhere, every day – Use it or lose it!

Bank of International Settlement (BIS) on Cash & CBDC: In 2020 General Manager, Agustin Carstens asserted;
".... **in cash we don't know, for example, who is using a $100 dollar bill today**..... *a key difference with the CBDC is that central bank will have* ***absolute control*** *on the rules and regulations that will determine the use of that expression of central bank liability and also,* ***we will have the technology to enforce that****."* [13]

Why the Availability and Correct Use of Credit is so Vital?
International Banking Professor, Richard Werner notes the following:
'.. economic growth and national income *are almost entirely determined by a factor that is decided at home (in Ireland), namely, the amount of bank credit created for productive purposes.'* [14]
Germany, Japan, Korea, Taiwan and China are countries that have used credit '… created for productive purposes' very effectively.

Bank of England Figures on Credit Creation: Michael Meacher MP
Bank of England Figures: Credit Creation for the decade up to the crisis of 2007/2008:-
"32% went directly to the financial sector, 31% towards mortgage lending, 20% towards commercial property, 8% credit cards and personal loans, ***8% went to businesses outside the financial sector."*** [15]

Only 3 to 4% of credit created ended up in the productive economy i.e., creating new jobs, infrastructure development and developing new technology. The grossly underfunded 'productive economy' is expected to support, maintain, live in and buy the over-priced assets in the bubble economy which has been created as a direct result of the excess credit pumped into it.

Prof. Richard Werner noted the following when speaking on speculative credit creation;
"A significant rise in speculative credit creation must lead to

- *increased 'financialisation' and lack of support for productive Industries*
- *asset bubbles and busts*
- *banking and economic crises"* [16]

Prof. Richard Werner

Control of the Economy:
Rationed Credit and The Short Side Principle.
"Like all markets, the market for credit is rationed, and in this case the dominant short side is the supply of credit (Werner, 2005). That is decided by banks, the creators and allocators of about 97% of the money supply (through their extension of credit, see Werner, 1997, 2015)." [17]

"Rationed markets are determined by quantities, not prices. (Muellbauer & Portes, 1978; Clower, 1965; Leijonhufvud, 1968, Benassy)

The outcome is determined by the 'short-side principle'. ***The short side has allocation power."*** [17] Prof. Richard Werner

The unaccountable profit driven private commercial banks control the creation and allocation of the money/credit supply, so essentially to a large degree control the economy.

Ireland vs. Germany:
Contrast Ireland with Germany, where c. **70% of the banking system is publicly owned;** c. 42% being Sparkassen Public Savings banks (351 institutes)[18] and c. 26% being Cooperative Banks (697 institutes). [19] These two public and member owned systems comprise c. 1,048 banks in total with thousands of branches nationwide.

What about the Credit Unions and Post Offices, I hear you say!
Irish Credit Unions should *also* be our Cooperative Banks. Irish CUs have 3.5 million members & €20bn in assets[20], yet have less than 3% of the market. The majority of the billions of CU members funds are by law held by their competitors the private commercial banks; hopefully they're still there! They are burdened with hugely expensive compliance regulations designed for large banks and are essentially micromanaged by the CBoI. CU Insiders advise us the CBoI eventually wants the number of CUs in the 26 counties down to 10.

Contrary to the public interest our Post Office Network is being decimated and the remaining PO's are being pimped out as slave labour to the Pillar Banks. The PO's should have been given a banking licence and not disgracefully turned into Agency banks.

Another Central Bank adage debunked;

"Low interest rates stimulate the economy and high interest rates slow the economy."
Empirical evidence study of several countries by Prof. Richard Werner comprehensively disproves this.

"Rates are not negatively correlated to growth – but positively
Interest rates don't lead economic growth – ***they follow it.*** *True for long, short, nominal and real rates - and in almost all countries"* [21] Prof. Richard Werner (2012)

In Summary:
The proven method of ensuring credit is created and allocated for productive purposes is in the introduction of not-for-profit Community-Public Banks that do not partake in speculation or securitisation. Community Banks practice sustainable lending to the productive economy and for productive purposes only. This is the method used by the German Sparkassen Public Savings banks and the German Cooperative bank models.

Banking should be a facility for the public and business and not a wealth extraction system, an issue clearly addressed by Professor Steve Keen, Head of the School of Economics, History & Politics at Kingston University, London when interviewed by Chris Menon.

Chris Menon Interview with Professor Steve Keen[22]

Q. Chris Menon; "*Much of the reforms that you recommend are predicated on reform of the banking sector, cutting the banking sector down to size. How realistic is that given the nexus between the political class and the banks….?"*

A. Professor Steve Keen:
"We have to break that political nexus, it's false, because the reality is, finance is a cost of doing business; it's not a profit centre. Finance of course has to make a profit in its own right to be viable; you need a financially successful profitable banking sector. ***But you don't need one that's 30 and 40% of the profits of the economy, because at that level it's actually syphoning off money being generated in the real production, of the industrial sector, the agricultural sector and the mineral sectors.*** *Ultimately the financial sector should be the servant of the rest of the economy not the master. But at the moment it's the master of not just the economy but of the politicians as well. So to break the nexus, we need a complete political shift….."*

The PBFI, Public Banking Forum of Ireland has, since 2013, invested considerable time and work in educating the public and on the introduction of Community Public Banks to Ireland, as verified on our website - RepublicIrelandBank.com.

The outline plan for a Community-Public Banking System for Ireland is also on our website.

The PBFI is interested in meeting with community groups and Political candidates interested in supporting the Community-Public Banking for Ireland project.

See more on https://republicirelandbank.com/

Contact the PBFI at admin@republicirelandbank.com **On Twitter/X** @IrlPublicBanks

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