Public Money 10 Q&A (with the Friede-Gard Foundation)

Q1: Money could go into speculation (stock exchange or land), so that there is not enough credit for the real economy.

A1: Speculation is a zero-sum game among financial sectors (funded by credit creation) under the debt money system.
Under the public money system money enters the economy debt-free, not via bank credit, and investment becomes a positive-sum game in real sectors. Speculative flows can also be curbed by financial transaction taxes and land value taxation, which are all covered effectively by the proposed Uniform Tax System (UTS).
Accordingly, public money move toward productive investment sectors that produce positive returns.

Q2: There is no longer room for ‘reasonable‘ financial instruments, e.g. risk hedging of manufacturers.

A2: What disappears is debt-based credit creation and casino-style derivatives of zero-sum game.
Insurance, futures, and other risk-hedging contracts remain as before.
Public money actually makes it easier to separate legitimate risk-hedging from pure speculation.

Q3: Even if there is enough money for the real economy in total, money may flow into sectors that slow down the evolution to a sustainable economy (i.e. money into ‘brown‘ industries instead of ‘green‘ ones).

A3: Public money is issued by the democratically accountable Public Money Administration (PMA). Monetary policy can guide allocation toward sustainable sectors, e.g., green infrastructure, while discouraging harmful investments.

Q4: The Public Money Administration (PMA) cannot know the ‘right‘ amount of money for a ‘smooth‘ development of the economy; therefore it always will be too little or too much. (Also in respect of varying money velocity because of 1 - or similar.)

A4: Absolute precision is impossible in any complex system (just as there is no such thing as “natural rate of interest”).
However, Uniform Tax System (UTS) provides policy tools to realize optimum amount of money in circulation.
Note also that velocity of money for ‘real’ transaction has been historically stable in many economies.

Q5: The PMA will be under heavy political pressure to create money for consumptive purposes, thus producing inflation.

A5: Public Money Administration is designed to be politically neutral and independent, and is responsible for monetary and price stability. Consumption level is determined by consumer behaviors in the markets. Inflation arises only when money supply exceeds real productive capacity, which, however, can be efficiently controlled by the Uniform Tax System (UTS).

Public Money 10 Q&A (with the Friede-Gard Foundation)

Q6: Under such circumstances the ‘value‘ of the Public Money will erode (i.e. it is also not ‘safe’).

A6: Public Money Administration is now equipped with policy tools that can stabilize price levels through more direct control over the amount of money supply, compared with the current central banks that cannot control money supply under the endogenous debt money, thus prone to repeating crises and enduring inflation. Public money system actually brings more stability since its monetary policy implementation and its governance is more transparent and accountable.

Q7: A ‘secondary‘ interest rate will evolve which will disturb the economy. (Assuming that the money created by the PMA at first will be introduced into the economy free of interest, there nevertheless will be savings which will be lent out with interest.)

A7: Under the public money system, interest rates are no longer monopolized by central banks, and freely determined by the market (depositors, investors, and bankers as intermediaries of savings). Such private lending with ‘secondary’ interest may similarly exist, but without systemic disturbance by the credit creation, interest is limited to time preference and risk premium in the market. Accordingly, the snowballing debt-interest mechanism of today disappears.

Q8: The ‘unfair‘ welfare distribution of the current debt-based money system will not be changed.

A8: Under the public money system, unfair income distributions between bankers (financiers) and other non-financiers are eliminated, yet between capitalists (shareholders) and workers remain unaddressed. This is why MuRatopia economy is proposed, including Japanese-style management such as life-time employment, etc. Unlike debt money system, public money system eliminates automatic upward (one-way) transfer of income via compound interest. While inequality from other causes may remain, the public money system itself stops reinforcing it. Moreover, complementary policies (proposed under the Public Money Initiative) can enhance fairness and social welfare.

Q9: Economic agents still will find out ways to misuse Public Money for their purposes.

A9: No system is immune to misuse. However, without the immense power of credit creation, misuses and accumulation of financial powers by bankers are limited under the public money system. Public money issuance is transparent and traceable in national accounts, making such misuse easier to detect and regulate than in today’s opaque banking system. Moreover, privacy of transactions is fully guaranteed with the Electronic Public Money (EPM), contrary to the CBDC.

Q10: Silvio Gesell’s system of ‘rusting money‘ would have more advantages.

A10: ‘Rusting money’ may accelerate circulation but risks instability, and goes against the function of money as a ‘store of value’. Monetary values must be maintained for stable functions of the economy and society. Under public money system, the Gesells’ ‘rusting money’ causes built-in inflation and drives wasteful consumption and resources against sustainability.

Public Money 10 Q&A (with the Friede-Gard Foundation)

Q1A: As far as I understand, UTS does not cover land valuation taxing, also not speculative buying and holding of shares, since only the transaction is taxed once. (Would you handle that with additional taxes?)

A1A: In principle, the uniform tax applies to all payment transactions, including land sales. Any transfer of ownership of assets that involves payment (including land) is automatically taxed. In that sense, it captures part of what a land value tax aims to do — taxing gains realized through land trade. However, unlike a recurring land value tax, it does not tax the ongoing possession of idle or speculative landholdings.

Q2A: Can you please explain how under the public money system you can differentiate 'true' risk hedging from pure speculation.

A2A: Risk-hedging is tied to existing exposures in the real economy, e.g. a firm securing future prices or exchange rates to stabilize production costs — whereas pure speculation involves taking financial positions without any underlying exposure, merely to profit from price fluctuations. Under the public money system, banks would no longer create money through debt, but instead operate as intermediaries of already-created public money. Their lending would be limited to financing productive and risk-hedging activities supported by real transactions (subject to periodic oversight by the Monetary Authority). This structural change makes it easier to distinguish and regulate legitimate hedging from speculative trading, since credit allocation becomes transparent and purpose-based rather than profit-driven.

Public Money 10 Q&A (with the Friede-Gard Foundation)

Q3A: How can monetary policy avoid that a private company invest its money e.g. in the fossil fuel business (is still a very profitable business elsewhere in the world)?

A3A: The Public Money Administration's primary mandate is to maintain price stability by matching money issuance with the productive capacity of the economy. Its role is not to make investment decisions — those remain the responsibility of depositors, banks, and investors (savers) within the private sector. Within this framework, newly-created public money can be directed toward sustainable
and productive activities through clear eligibility criteria (by the demand side of the PMA, i.e. Ministry of Finance, etc.) — for example, financing renewable infrastructure rather than fossil fuel expansion. Private firms could still use their own retained earnings for their own investment decisions, but the flow of newly-created public money would be aligned with long-term economic and environmental stability.

Q7A: How can you avoid the snowballing? (If saving is left as saving, including the earned interest, there is also interest on the earned interest when it is lent out again).

A7A: The snowballing of debt and interest arises today because new money is created through interest-bearing loans — meaning both principal and interest expand the money supply through further borrowing. Under public money system, money is created debt-free and enters circulation only once. Subsequent private lending merely redistributes existing money; it does not create new money. Therefore, while private savings may earn interest, that interest must come from the existing money stock, not from newly created credit. This structural separation prevents the exponential growth of debt and interest compounding at the system level — the 'snowball effect' disappears."

Public Money 5 More Q&A (with the Friede-Gard Foundation)

Q11: With regard to MuRatopia, I understand that it is the return to the (in the past very successful) ”Japanese style management“. Do you think that this is really possible? (Maybe the ‘old ethics and mentality‘ of loyalty and fidelity towards a company and determination to utmost quality cannot be revived, after at least two generations have been ‘lost' to the short-term US-approach‘.)

A11: During the so-called Japan’s lost 30 years, Japanese-style management such as lifetime employment continued to be destroyed by the neoclassical free-market globalism. Yet, Japanese-style management is still deeply rooted in Japan’s society. MuRatopia economy tries to re-establish it as its second pillar with public money subsidies, because self-management business is essential world-wide for income equality and sustainability.

Q12. And can you really guarantee a lifetime employment in times with so many changes, where companies become obsolete with their products within a few years?

A12: Under public money system, it could be easier to pursue this objective. Corporate activities can be better performed by self-managed workers among many types of organization in the long run.

Q13. And was the tradition not more about hierarchies than self-management? (Can you provide „Yamaguchi (2004a)“, which is not listed in the bibliography of you Public Money book.)

A13: Yamaguchi(2004a) is listed on page 447 as ”Yamaguchi, K. (2013 [2004]a. Modeling long-term sustainability. Handbook of Sustainable Development Planning (chapter 4. pp. 61-90).”
In the chapter 4 sustainability is more rigorously defied as physical, social and ecological reproducibilities.

Q14. Do you have ASD models of MuRatopia? (Aside from Fig.4.6 in your monetary macro book)

A14: My award seminar will demonstrate a part of MuRatopia macroeconomic model and its behaviors.

Q15. What kind of empirical data (aside from the archeological finings that you mention) do you have with regard to the feasibility and practicability of a MuRatopia company? (Do you practice it on Awaji island? Since when? What are the results?)

A15: This is our on-going research subject and project, yet to be done in the near future.