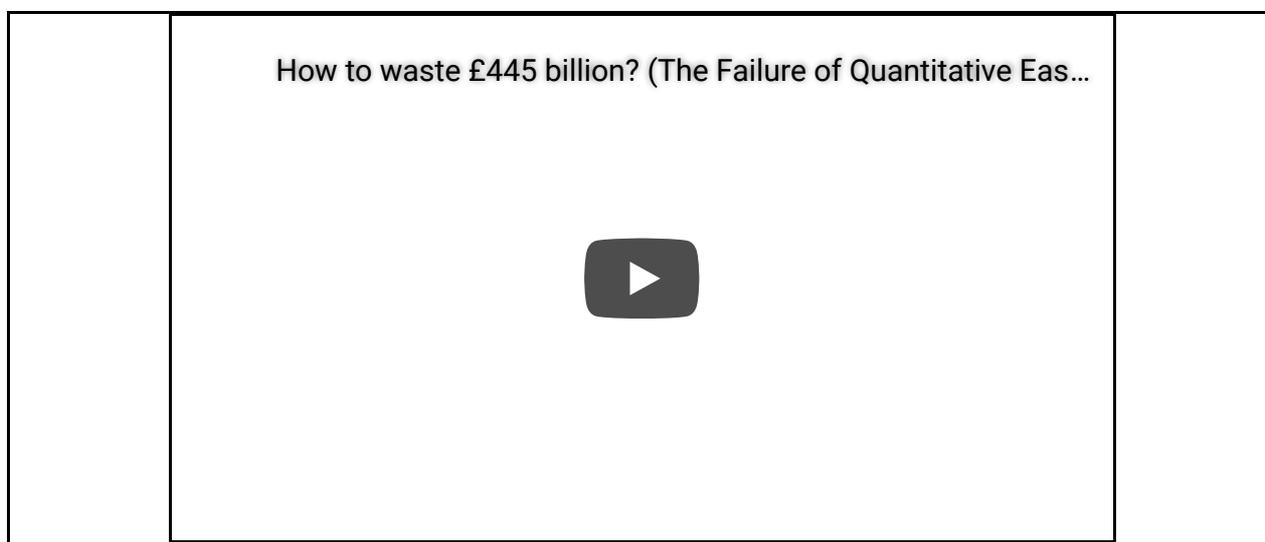


Instabilities in the financial system

Instability in the financial system has been growing since the early 1970's. The dismantling of the banking regulatory framework forged in the Great Depression has over the last four decades coincided with the increasing volatility and brittleness of the global financial system. The 2008 financial crisis, the largest since the 1929 crash, testifies to the lack of resilience built into the system. Governments responded with what is called quantitative easing to reboot the economy. However, while it did a lot to save the banks, it did little to help the millions of people directly affected. And, not to be discounted, a major opportunity for transforming the financial system was completely missed. This video tells the UK story of quantitative easing, why it failed, how it set the stage of the deepening of national austerity policies, and how it could have been done differently.

7.4 Watch “How to waste £445 billion? (The Failure of Quantitative Easing)” (6:15)



Positive Money. “How to waste £445 billion? (The Failure of Quantitative Easing),” video, 6:15, posted to YouTube by Positive Money, June 27, 2014.

<https://www.youtube.com/watch?v=4I06RhFoLE4> (<https://www.youtube.com/watch?v=4I06RhFoLE4>)

There are several examples of governments creating large parts of the money supply almost debt free. The Bank of Canada is one. Between 1938 and 1974 it created very low cost financing to advance the common good. Fascism was defeated. Housing, free education, and land for returning veterans was provided. The Trans-Canada highway was built as was the St. Lawrence Seaway. Low cost, long term loans to local and provincial governments were issued. Even Canada's social security and public health system was secured without borrowing a cent from the private banks.

However, Canada stopped relying on its own bank in 1974. The Bank of Central Banks, known as the Bank of International Settlements, convinced the government that their constitutional right to issue non-interest-bearing debt for public good investments should be shelved in favour of borrowing from the private banks for these needs. In 1974 Canada's national debt was \$18 billion. By 1993 it had escalated to \$523 billion. The Auditor General of Canada reported in 1993 to Parliament regarding the structure of this debt—91% was the result of compound interest. By 2016-17, the combined federal and provincial

debt was \$1.4 trillion, of which the federal debt was \$728 billion, 90% of which was the result of compound interest charges.

7.5 Read “The Bank of Canada Should be Reinstated to its Original Mandate Purposes” (12 minutes)

Ryan, John. “The Bank of Canada Should be Reinstated to its Original Mandate Purposes,” Canadian Dimension, March 21, 2018. <https://canadiandimension.com/articles/view/the-bank-of-canada-should-be-reinstated-to-its-original-mandated-purposes> (<https://canadiandimension.com/articles/view/the-bank-of-canada-should-be-reinstated-to-its-original-mandated-purposes>)

The mechanism by which interest free money was issued may seem mysterious, but it is actually very simple.

7.6 Watch “Using the Bank of Canada to Create Money” (2:41)



Ridell, John. “Using the Bank of Canada to Create Money,” video, 2:41, posted to YouTube by the creator, September 7, 2010.

<https://www.youtube.com/watch?v=RsdJuAM3k48> (<https://www.youtube.com/watch?v=RsdJuAM3k48>)