Funding the Future

Money: lessons to be learned

Published: January 13, 2026, 5:08 am

To continue Helen Schofield series on money, this is the last substantial part, although an epilogue will follow. Earlier parts can be linked here

Once you've understood that key to expanding production of goods and services in your economy is achieving a stable currency, or medium of exchange, and adequately distributing it denominationally into your economy then like the British Industrial Revolution you know that to reverse the harmful effects of that Revolution, Climate Change, is going to require the same approach. To pretend you're in favour of massive investment to deal with Climate Change but then argue government operates on a credit card after all the media exposure of MMT and failing to understand the main historical currency driver of the British Industrial Revolution is the thinking of a fraud or charlatan!

It's doubtful until recently (and particularly the "safe-asset" analysis of the cause of the GFC) that human beings have had any true understanding that what allows currency to be a safe-asset in the first instance is the "collateral" of government legally enforced retirement. This gives "stable" currency value retention for the longest possible time (specie money was "unstable" because periodically it kept disappearing into bullion). If you look at what was going on in balance sheet terms with the Bank of England loan contract deal of 1694 the government was retiring currency through the hypothecated tonnage or tunnage tax. It was then creating it again as interest to give to the private stock holders of the newly formed Bank of England who would themselves in turn be liable to tax retirement in some shape or form or others who used the currency (a virtuous cycle!). As owners of the Bank of England company they would, however, be assisting the government in creating a new paper based currency that would be under-pinned by the right to convert banknotes into specie money for what that exercise was worth.

If you step back and look at why The 1672 Exchequer Stop happened it is fairly obvious that it was a consequence of split governmental responsibility between the Monarchy and Parliament. This eventually got resolved in the centuries after 1672 starting with the Glorious Revolution. I think you can go further and say that Parliamentary democracy (probably not a First Past The Post electoral system) is a must to ensure the monitoring of a country's monetary system in order to know it's operating in the best interests of all citizens.

We need to be wary of those who cry wolf on the basis of believing an economy suddenly and miraculously becomes static in production terms simply because the government fails to balance its books and hyper-inflation ensues. Britain's Industrial Revolution gives a lie to that. This is not to say a government doesn't have the responsibility to ensure careful targeting of any government or private bank created currency. Britain's Industrial Revolution period is understood by historians to have begun around 1760 and ended somewhere between 1820 and 1840. By 1784 there were 100 Country or Provincial Banks established with the right to create banknotes. However, although money had been redesigned the new paper banknotes currency was a superstructure built on the top of specie money with the right of conversion from the former to the latter. There were those who weren't happy with this layering and slowly from about 1780 a movement grew to have gold better recognised and designated as the true official currency of Britain. The proponents for this designation argued it especially for the purposes of global trade and of course the Industrial Revolution had resulted in Britain being a "top dog" for exports. Eventually they succeeded and in 1844 with the Bank Charter Act the rot set in with a set value of banknotes being pegged to a set quantity of gold. This lasted until 1931 when the British economy was in dire straits as a result of the global depression with Britain's exports halving in the period 1929 to 1933:-

https://en.wikipedia.org/wiki/Great_Depression_in_the_United_Kingdom

The most important lesson of all I believe is recognising that the underlying "evolutionary design of money" is involved in reconciling "public interest with private interest". Take, for example, the contractual arrangement underlying the establishment of the Bank of England where tax revenue (ship tonnage) had to be hypothecated to pay 8% annual interest on the capital contributed by the private sector to fund the Bank of England's operations which turned out primarily to be churning out currency in the shape of banknotes to give to the government. Indeed in 1946 when the Bank of England was nationalised it turned out that private capital was no longer needed for the government to create currency in the "token" form of banknotes.

Today with the advent of electricity and computer electronics MMTer's know that private capital isn't needed to create "electronic" currency which is increasingly replacing the use of banknotes as the currency's medium of exchange. Of course, despite all this historical evolution of currency we still have the leaderships of both the Conservative and Labour parties telling the public that government has no money of its own or the government operates on a credit card. You have to assume that the purpose of their mantra here is to put the private interest first. However, a willingness on the part of these leaderships to understand the evolutionary history of the British currency would show that hypothecation by government used either directly through money *creation or through taxation relief could actually massively benefit the private interest of all the British public in a wide variety of ways, tackling climate change being a top priority for example. In reality I think it needs to be admitted that the situation facing the country is these party leaderships are only knowingly or unknowingly interested in supporting a partial or narrow private interest, an elite!*