



FREE STATES

LIBERTARIAN PARTY UK MANIFESTO 2019
MONETARY POLICY



**LIBERTARIAN
PARTY**

FOREWORD

The Libertarian Party believes that we are at a crossroads in British politics; the next few years will decide our direction of travel for the foreseeable future. The parties who make up the Westminster bubble have shown that they believe we, the people are there to serve them, not the other way round.

We are entering a period in which the two main parties are descending to extreme positions. For the Conservative Party, this means infighting, chaos and the abandonment of free market principles. For Labour, we see moves to take private property by force, to nationalise healthy companies in an ideological shake-down, to add an ever-increasing burden of taxation on middle earners and future generations, and stoking class

divisions to ensure there is always someone else to blame.

Luckily, we are also seeing a great deal of awareness from the general public, who are starting to see how rigged the system is and are looking for an alternative. We are that alternative. We are the party that puts the rights of individuals ahead of the demands of unions or donors. We are the party that will remove barriers to trade, allowing the economy to stand on its own feet unencumbered by unnecessary regulations. We are the party that will reduce political interference in your everyday life, freeing important services like Healthcare and Education from political point-scoring by putting them in the hands of service providers and users, the people who know what is most needed. We are the

party that wants to ensure that this country has a Constitution that protects the individual and treats all parts of the country in an even manner.

In this manifesto, we will set out our policies for a future federal United Kingdom where power is devolved wherever possible, and where efficient and innovative government solutions replace that which is beloved by the other parties – the status quo.

The Manifesto of the Libertarian Party has been built on 5 basic principles:

That the overall effect of all our policies together shall decrease the size and power of the State;

That the rights of the individual are paramount and should be nurtured;

That the individual is better placed to understand what is in their best interest than the State;

That those who have power must be held accountable for their actions; and

That power should be devolved so it is as close to the people who are affected by it as possible.

Alongside these principles, we have also respected the experience of other countries, basing our policies wherever possible on those systems that have been tried and tested elsewhere and which evidence shows work well.

This manifesto provides an alternative to more of the same. It is a pathway away from the Westminster rule of old, to somewhere more prosperous, less

authoritarian, safer, more protective of the citizen and less willing to boss her around for her own good or, as is more commonly the case, to her harm.

Our respect for the individual is embodied in the procedures of our party, such as our policy creation process, and is declared through the policies in this manifesto. It fuels the lamp with which we light the way to a place we hope you will find your political home as a member, or supporter, of the Libertarian Party UK. We are the party that will set you personally above the collective, and by doing so we will free the country to be better than ever before.

Adam Brown
Party Leader



MONETARY POLICY

CREDIT WHERE CREDIT'S DUE

Reform of the United Kingdom's economic and political system will flounder without reform of the monetary system.

Since the 1940s, the State claims to have used the money supply to prevent the wastefulness of booms and busts. This attempt to manage boom and bust – through quantitative easing, for example – has accidentally suppressed productivity by enabling zombie businesses to survive on borrowed time. Putting off the inevitable day of reckoning in the short term is sapping the United

Kingdom's prosperity in the long term.

Inflating the money supply into the hands of insiders has insensibly denied capital to the real economy in favour of feeding the maw of government debt.

The Libertarian Party believes that the free market, not government functionaries should allocate credit.

Quantitative easing may have allowed re-capitalisation of British banks, and has thus far yet not resulted in runaway inflation. However, it has inflated asset prices, benefitting the already wealthy at the expense of the rest. Moreover, there is no guarantee that loose money will not feed into wild price inflation in the future. Between 1966-1977, inflation – which peaked at 25% per annum – was poison not only to the UK's economy, but also to its social fabric.

There is also a risk that politicians will see money printing as a painless answer to the question, “where will the money come from?” In Britain, there is talk (for those of us who would like additional reasons to lose sleep) of a People's Quantitative Easing. By contrast, the Libertarian Party will end the government's ability to use fiat currency to fund the

unaffordable in an attempt to bribe the electorate for votes.

Individuals have the right to use money that is not deliberately devalued by the State. Competition in a free market is the best form of regulation. We will encourage monetary and financial competition while recognising that most people will continue to use Sterling. This places a responsibility on government to maintain a stable currency, which we will ensure by re-establishing a gold standard.

The United Kingdom must work to make its living and do so in a smarter way than other nations do, in order that we might prosper as well as we should. To that end, monetary reform would open the UK for business.

1. ENDING DISCRETIONARY MONETARY POLICY

The Libertarian Party will end the Bank of England's authority to increase or reduce the money supply at will. Instead, there will be a rules-based system – a gold standard with direct convertibility.

BENEFITS

The value of citizens' assets will be fortified. The conditions for wealth creation will be nurtured. Credit will be supplied on merit.

NOTES

In Britain and the USA, the classic period of a gold standard was 1815 to 1914. This was a century of solid economic growth.

Under the gold bullion standard that we propose, so long as the Bank of England maintained its own credibility it would be given some flexibility to deal with shocks to the system or local liquidity crises.

To quote Walter Bagehot, "in times of financial crisis, central banks should lend freely to depository institutions, yet only against sound collateral and at interest rates high enough to dissuade those borrowers that are not in genuine need."

Government debases money by minting it out of nothing, thereby reducing the value of everyone else's. Big banks, their officers, investors, depositors and others favoured by government do well out of this. The overall effect, however, is to encourage malinvestment in unproductive activity. By withholding from government the authority to devalue the assets of the citizenry who are not well connected our policy will deliver a monetary system that shows no favour and is more just.

The Bank of England's role will become one mainly of

supervision. Fraud, misrepresentation, false accounting, theft and other laws would be vigorously upheld. Regulation would not, however, be used by large entities as a barrier to competition.

New decentralised technology and software also present an opportunity for financial and banking services to limit or eliminate the need for trust in a central authority. The Bank of England will be expected to work with industry bodies to ensure that legacy regulation does not hinder the development of this technology, including the use of a regulatory sandbox to encourage and facilitate its development.

CONCLUSION

Individuals should have the right to use money that is not deliberately devalued by the State.

Financial institutions like banks, which make profits in good times, should not be allowed to impose the costs of failure on others during difficult times.

The Libertarian Party believes in a free and voluntary market. This is not the type of market or system we have for money. What we have now is a form of state capitalism that strangles wealth creation and inadvertently misallocates credit.

2. A FREE MARKET IN BANKING AND FINANCIAL SERVICES

We will introduce unrestricted competition among depository institutions of all types. Minimum capital-to-debt ratios would be laid down by law. All deposit taking institutions will be required to publish their capital and reserve ratios in a clear manner on customer statements. The owners of depository institutions and the directors of those

institutions would carry personal liability for losses.

BENEFITS

The system will be both relatively stable – thanks to adequate capital ratios – and no longer crowded out by government borrowing. Lending to individuals and private enterprise should increase where it is merited, and returns on investment will naturally therefore rise. The combination of this deepening of credit provision and encouragement of prudence will enhance the wealth of the economy.

NOTES

The UK has a narrow but innovative Fintech cluster. The wider financial sector in the UK is vital and deep, being roughly 6.5% of the UK economy (33% of London's), but twice as productive as the average equally important sector. The Libertarian Party will nurture the competitive advantage our financial sector brings to the UK by allowing it to stand on its own two feet – and by not getting in its way. New technology such as banking apps,

online banking and cryptocurrencies will in future bring hundreds of millions of the unbanked and under-banked throughout the world into the financial sector. With a wisely regulated financial sector, the UK could be at the forefront of this development.

Competition between currency issuing institutions should result in more effective investment by those institutions, leading in turn to better returns to depositors and investors.

3. MONETARY COMPETITION

Legal tender laws will end. Individuals and businesses engaged in voluntary exchange should be free to choose which money they use. Precious metals, cryptocurrencies and other free-market money will be taxed on the same basis as Sterling. In addition to Sterling, taxes will be payable in any recognised money, including gold and Bitcoin.

BENEFITS

Money competition to Sterling and other fiat currencies will limit the government's power to debase money and give more power and choice to individuals.

4. AN END TO GOVERNMENT GUARANTEED DEPOSIT INSURANCE

To give the private sector time to develop suitable insurance policies, this would be phased in over three years.

BENEFITS

Depository institutions will be discouraged from taking reckless risks as they will no longer be able to pass the cost of any error of judgement onto the taxpayer. Depositors at banks should not be favoured over other investors, let alone at the taxpayer's expense. The commercial insurance companies that offer deposit insurance cover will have an incentive to ensure that the deposit taking institutions are solvent.

NOTES

The government provides deposit insurance (via the Financial Services Compensation Scheme, FSCS) to most bank accounts, up to a limit of £85'000. In theory, the FSCS is funded by levies on banks whose customers are covered by the guarantee. In practice, however, those mainly on the hook for the cost of this scheme have been taxpayers. For example, during the 2008-9 crash, just £171 million (less than 1%) of

the £19.86 billion advanced to banks was funded through levies; the rest was provided by the taxpayer. The FSCS reports current liabilities of £4.5 billion, which represents an average per household of circa £159, though this figure is certainly an underestimate, as strongly suggested by the £19.86 billion payout. We estimate the taxpayer's true liability to be anywhere between £10 billion and £150 billion.

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