

About interest and the national debt

Current policy

In the Netherlands we have been financing the national debt through the sale of treasury bonds to the expensive, unpredictable and anonymous money markets for quite a while now. According to the figures of the Central Bureau of Statistics (CBS) we paid an average of 5.7% interest per year for the time period 1970 - 2013. If we had followed better financial policies we could have paid, on average, 1% to 3% per year less interest on the national debt for that same period. In terms of money:

we could have saved € 93 billion in interest payments on our current national debt. If we follow this reasoning to the present time we can still save a huge amount on future interest payments.

New policy

B of Joy is of the opinion, that to solve the financial crisis, the banking sector in the Netherlands (and elsewhere) should be transformed into one big cooperative community bank. This will consist of a network of local cooperative community banks and a few small investment banks. The task of the cooperative bank will be to take care of payments (transactions) and it will be authorized to create new money. All of the checking accounts, pension fund savings, public organizations and Insurance companies should be held by this cooperative community bank. These accounts will fall under the deposit protection guarantee.

Instead of (too) cheaply privatizing the currently Dutch state-owned banks (ABN AMRO, Fortis en SNS bank), we should convert them into this new cooperative community bank. The investment banks will take care of risky financing and investments where needed. These investment banks will be prohibited from creating money and the deposits held in them will not fall under the deposit protection guarantee.

Policy towards interest

There will be no interest given on the savings held by the cooperative community bank but, instead, a wage- and price compensation. The thought behind this is that when you save (the monetary equivalent of) one hours work, you will get back (the monetary equivalent of) one hours work, whatever the changes in wages in the given have been. This can only be done based on a fixed-value currency like the URA. In concrete terms it means that savers will receive a yearly amount to compensate for the average wage increase for that year. With this policy it's necessary to stop bringing new money into circulation. Furthermore, it's important that companies and workers do not demand wage increases because of price increases. This is actually a waste of time leads to the creation of more new money.

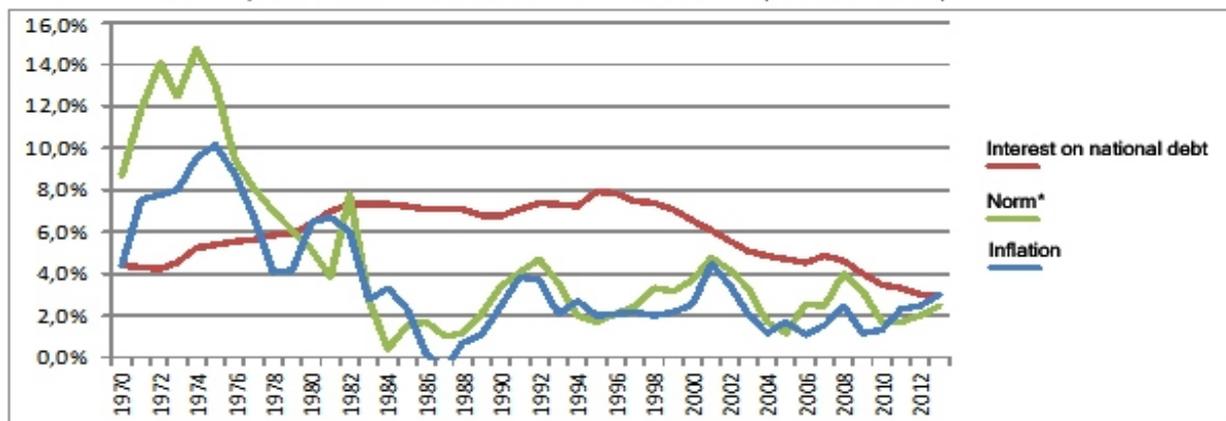
Instead of paying interest the government will pay the wage-and price compensation over the national debt, which will then be given to (pension) savers. On top of this, a premium of a half percent per year will be charged to cover the costs made by the cooperative community bank. When financing mortgages the cooperative community bank uses the same policy. In Denmark this has been brought into practice for more than two centuries under their " Mortgage Bond System" and it has proven to be feasible.

In the Netherlands, the total amount that has been saved with pension funds is almost as much as the total amount of mortgage – and government debt. This means that it's possible to replace the current, too expensive, financing of the mortgage-en government debt with new, cheaper financing. The pension savers get the advantage of more certainty of actually getting their money when they need it. The other certainty is that your money won't be invested in risky products or weapons and other unethical businesses as is the case right now.

Comparison	1970 t/m 2013	1980 t/m 2013
Average interest on the national debt	5,7%	6,1%
Average norm*	4,6%	2,9%
Average wage increase	4,1%	2,4%
Average inflation	3,6%	2,5%
Average interest on savings in bank	3,2%	2,8%

* Average wage increase + 0,5% margin for community bank.

Interest paid on the national debt, norm en inflation (1970 t/m 2013)



*Average wage increase to compensate (pension)savers + 0,5% margin for cooperative community bank.

Year	National debt**	Interest	Interest %	Norm*	Inflation
1970	38.446	1.696	4,4%	8,7%	4,4%
1971	43.880	1.894	4,3%	11,9%	7,6%
1972	47.477	2.017	4,2%	14,1%	7,8%
1973	50.558	2.315	4,6%	12,5%	8,0%
1974	54.045	2.823	5,2%	14,8%	9,6%
1975	59.029	3.183	5,4%	13,0%	10,2%
1976	65.319	3.644	5,6%	9,5%	8,8%
1977	71.254	4.020	5,6%	8,1%	6,7%
1978	77.797	4.564	5,9%	7,0%	4,1%
1979	86.199	5.110	5,9%	6,1%	4,2%
1980	96.301	6.138	6,4%	5,2%	6,5%
1981	108.967	7.619	7,0%	3,9%	6,7%
1982	124.349	9.153	7,4%	7,8%	6,0%
1983	141.175	10.378	7,3%	2,8%	2,8%
1984	157.541	11.598	7,4%	0,4%	3,3%
1985	173.231	12.580	7,3%	1,6%	2,3%
1986	181.579	12.983	7,1%	1,7%	0,2%
1987	181.906	12.901	7,1%	1,0%	-0,5%
1988	187.036	13.298	7,1%	1,2%	0,7%
1989	197.792	13.367	6,8%	2,1%	1,1%
1990	208.857	14.263	6,8%	3,4%	2,5%
1991	218.988	15.620	7,1%	4,1%	3,9%
1992	227.175	16.815	7,4%	4,7%	3,7%
1993	231.768	16.985	7,3%	3,6%	2,1%
1994	230.744	16.652	7,2%	2,0%	2,7%
1995	224.452	17.856	8,0%	1,7%	2,0%
1996	225.008	17.644	7,8%	2,1%	2,1%
1997	231.497	17.377	7,5%	2,5%	2,2%
1998	233.869	17.294	7,4%	3,3%	2,0%
1999	237.234	16.893	7,1%	3,2%	2,2%
2000	237.348	15.537	6,5%	3,7%	2,8%
2001	237.610	14.514	6,1%	4,8%	4,5%
2002	243.584	13.582	5,6%	4,2%	3,4%
2003	252.192	12.950	5,1%	3,3%	2,1%
2004	263.568	12.888	4,9%	1,7%	1,2%
2005	270.055	12.642	4,7%	1,2%	1,7%
2006	267.130	12.240	4,6%	2,6%	1,1%
2007	263.648	12.768	4,8%	2,5%	1,6%
2008	290.646	13.457	4,6%	4,0%	2,5%
2009	332.948	13.409	4,0%	3,2%	1,2%
2010	361.285	12.591	3,5%	1,7%	1,3%
2011	384.073	12.875	3,4%	1,7%	2,3%
2012	410.389	12.361	3,0%	2,0%	2,5%
2013	435.089	13.000	3,0%	2,5%	3,0%
Total / average per year	€ 8.663.000	€ 493.000	5,7%	4,6%	3,6%

In the Netherlands we have paid € 93 billion too much interest on our national debt in the period from 1970 up to 2014.

* Average wage increase + 0,5% margin for cooperative community bank.

** Average over the whole year (* € 1 million).