Monetary reform as a prerequisite for implementation of human rights

Background: In Europe, the consensus is that structural reforms are needed. The question is: what needs to be reformed? Society, to better fit the money system, or the money system, to better serve society? Creditors point in the direction of societal reform by austerity. Human rights and digital technology however point in another direction: monetary reform by *unlinking the currency from bank balance sheets*.

Peoples' sovereignty and the right of self-determination are fundamental to human rights – and therefore figure in article 1 of both Human Rights Covenants. A State's obligation corresponding to peoples' right of self-determination refers to all peoples, not (only) those that created and maintain the State in question.

Although every State is free to choose its own money (under the unwritten international legal principle of "lex monetae"), money is not a mere national issue. In particular the USD (that serves de facto as world reserve currency) and the Euro (that links different States into one joint currency) have great impact on the enjoyment of human rights beyond borders.

Thesis: The present money system subjects peoples right of self-determination to limitations, and hampers free pursuit of their economic, social and cultural development. By supporting this money system, States do not enable the peoples to flourish to their full potential. They fail to sufficiently provide and maintain circulation of "State issued debt and interest free money" (hereafter: "sovereign money"). To the detriment of peoples they actively promote general use of "commercial debt money" (hereafter: "bank money") instead.

Bank money consists of privately issued money claims on commercial banks ("bank deposits" – which are loans given by depositors to banks, which are exempt from regular financial transparency rules such as prospectus requirements). Naturally, such money claims cannot trade at par on a nominal footing, considering their inherent credit and market risks. To enable use of these money claims as money however, States compel society to take them at nominal value anyway,[1] thereby blocking due market processes for acceptance, allocation and mitigation of risk. This enables financiers to pass on the costs and shocks of private risk taking to society.

General use of bank money burdens society with "systemic debt", which relates to the amount of bank money in the economy. Systemic debt is accompanied by a systemic debt burden, which consists of the net interest the banking system charges on the bank money in circulation, and the pay-back obligation attached to it. *Systemic debt unduly limits society in its ability to raise living standards.* As debt levels increase, credit risks for banks increase too. This reduces their willingness to lend, thereby unduly limiting monetary expansion and allocation. To avoid stagnation in a debt laden society, the bank money system depends on inflation to re-enable bank credit extension by reducing default risk.

In the bank money system, the currency is a function of bank balance sheets, making it prone to runs, risks and commercial exploitation. Indeed, direct operation of the present monetary system is left to private commercial exploitation, which gives leeway to a feudal monetary order that competes with democracy. Monetary reform seeks to change this and make the monetary power serve the peoples, by encapsulating it as a separate (4th) power of government, in the democratic order.

[1] State support of bank money is embedded in law, mainly via State sanctioned central banking, prudential oversight, deposit guarantee schemes and use of bank money by the State itself.

Despite all downsides, State support for bank money made sense in the past, because it enabled payment over distance, albeit at increasing social costs, given excessive growth of the bank money supply, and the corresponding systemic debt. Today however, the disadvantages of general use of bank money outweigh the benefits. In the present, State support for bank money is particularly not justified because the state of technology no longer requires bank money to enable payment over distance.

States are bound not to hamper economic development, unless by law and in promotion of general welfare. Moreover, States are bound under international human rights law, to expeditiously take (technical) steps, to achieve the *full realization* of ESCR[2] including peoples' right of self-determination. Thus, a legal obligation arises for the States to replace the present bank money system, with sovereign money systems. Conversion of bank money into sovereign money is a precondition to release the peoples of systemic debt, and enable States to protect and stabilize the monetary system efficiently.

States supporting the prevailing bank money system needlessly spread debt among all peoples, make them vulnerable, hamper their development and compromise their self-determination. Because bank money implies in their currencies the urge to yield a return and squeeze financial revenue from its utilization, they also enhance environmental degradation and social disintegration. Systemic debt rests disproportionately on the poor and is, as most currencies are, not confined to national borders. States with strong currencies (like Euro and USD) are most liable for the impact of their currencies on the peoples, both domestic and abroad, and to be addressed to reform their money system, in the interest of all peoples, both domestic and abroad.

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[2] Economic, social and cultural rights