

No reason to reinvent the wheel on private banking
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With regard to John McClay's letter (15 September) there is no reason to reinvent the wheel on private banking. We just need to wind back the controls to pre Thatcher days when the useful business of commercial banks was lending for consumption and investment. They now mostly rely on churning second-hand homes, nicely wrapped up in inscrutable financial instruments.

Banks back then were only allowed to grant mortgages to their employees. However, it wouldn't be necessary to remove this part of their licence if we taxed land values (LVT). Land is the major component of housing costs. LVT, paid by landowners, would reduce the market price of land sufficiently to make the mortgage business unattractive.

A graph charting the relationship between changes in banking regulations and house prices is revealing.

And I'm afraid that John is simply wrong to say that Modern Monetary Theory (MMT) is largely US based. MMT is simply a description of how a monetarily sovereign government like ours creates new money. As Yoshihide Suga, the new Japanese premier, has stated: there is no limit to government debt issuance - the challenge is jobs and incomes. Japan has the highest government debt in the world ever, equivalent to \$11 trillion. But the debt is denominated in Japanese yen, of which the Japanese central bank is the monopoly supplier. So no sweat.

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