

Designing the Future: Inequality and Our Money System ~ Ivo Mosley

Lock-down is an ideal time to consider some simple truths that we're normally content to ignore. If we want to reclaim our world and make it fit to live in, we must wake up to a few basic facts.

One of these facts is that money is created, rented out and destroyed again by private banks. This process is a blind spot for most professional economists, who work for the government or for finance or in educational establishments funded by the one or the other.

Economists' blind spots can have a devastating effect. This one creates massive inequality and puts all of us in the power of people who work only to make themselves richer.

Here's how the process works. When governments create money, they create 'cash' which ends up in private commercial banks as 'bank reserve'. Bankers use their 'reserve' to create – and lend – ten to twenty times the amount in 'deposit' money – which is the money that most of us use. So, when a government creates money – for whatever reason - it is actually creating ten to twenty times more for private profiteers. With this new money, profiteers buy up our possessions and our working lives. The system was designed for that – and for war.

Of course, governments can also borrow money – which puts their citizens into debt that has to be paid – with interest. This again does not seem a good idea when they could perfectly well create money themselves – not as bank reserve, nor as debt, but as pure money. This has often been done in the past, with good results – so long as the government does not overdo it and cause inflation!

In the past few years, governments have been creating so much 'cash' (first through 'quantitative easing' and now for those affected by corona virus) – which ends up as reserve in banks – that interest rates have been driven close to zero. This means that profiteers are borrowing, buying and exploiting the rest of us very cheaply.

The situation could change overnight if banks were no longer allowed to create deposit-money by multiplying reserve - that is, if 'fractional reserve banking' ceased. Money would then be something that most of us think it is anyway: a means of exchange which circulates indefinitely and favours no one.

People have been campaigning for this simple piece of justice ever since laws allowing banks to create money were first passed. These campaigns have never yet been successful. But surely, it's a case of 'now or never' if we wish to continue living much longer on this earth. The effects of our money system are that bad.

Money is value created out of nothing. Its creation should be the most scrutinized process in all of our political activities; but as things are, the exact opposite is the case.

MONEY – AND HOW IT HAS BEEN CORRUPTED.

Money is blamed for many evils, but the most dangerous thing about money is how easy it is to corrupt and complicate without most people noticing.

In itself, money is pretty simple. It's a kind of abstract property, embedded in physical items which represent it – things such as gold coins, notes, or digits recorded in a computer. Money is used as a go-

between commodity so that we don't always have to swap one valuable item directly for another when we want something. That makes it very useful indeed.

How does money get corrupted? There's an ancient way of doing this. A powerful person or organisation with lots of money can issue a 'promise to pay' on a piece of paper, or as digits, and this can pass from hand to hand and be used as money. The promise doesn't usually pay out anything; it spends its life as money, before being returned to its owner.

The corruption in this is manifold. First, the issuer can issue large amounts of promises – far more than the actual money in his possession – because most of them will circulate without any actual money being paid out. Second, because the promises are money, they are valuable, so they can be rented out at interest. Third, many people borrowing this new money will be using it to profit at the expense of productively working people. This puts governments, banks and profiteers in an unholy combination.

Historically, these 'promises-to-pay' would pay out something valuable on demand – gold coins, for instance. Now, however, the promises pay out nothing except other promises. If you have 'money in a bank' – promises from the bank – you can ask for cash, which is promises from the government. All these promises are a fiction: a fraud. Laws recognise them as money, so they are valuable in themselves. These laws are legalised criminality, profiting both those who rent them out, and those who borrow to acquire other people's possessions.

So, who are the profiteers? First are governments, who rent out 'promises-to-pay' to commercial banks, in the form of notes, coins and digital 'reserves'. Second is banks, who rent out more 'promises-to-pay' to customers in the form of numbers in deposit accounts. Third is predatory borrowers, who borrow newly-created money to make a profit.

The collusion between bankers, governments and profiteers is obvious from history. Take the central event in modern banking history: laws authorising modern banking were passed by the English Parliament and the Crown to finance war, speculation and asset-grabbing. The new laws gave England a head start in the race for Empire, after which other governments began to copy these laws across the world.

It may seem strange that the powers we hope to trust are knitted together in creaming off the surplus of what we produce for their own ends. Even more so, when these ends are not ones that most people approve of: war, greed, predation, and other activities that most people would deplore. Democracy has not even been tested yet, because true power lies not with the people but with those who steal from the people.

In addition, this creaming-off takes money away from productive workers, so the rest of us are more and more dependent upon those powers. An insatiable lust for power and money may seem strange to most of us; but the evidence of its existence and influence in our world is impossible to ignore. Our money system is designed to satisfy that lust.

Ignorance of the system among the public protects it from reform. Public ignorance is protected by professional economists, and the discipline of economics, which refuse to confront and address the terrible consequences of the system. The fundamental reason for this was expressed by economist Paul Krugman to economist Bernard Lietaer when he said, "Didn't they warn you about not touching the monetary system? If you insist on talking about it, it will kill you academically. It takes a university economist completely out of the system of peer approvals that culminates for a few in the prize given by the central bank of Sweden in honour of Alfred Nobel."

Instead of critically examining reality, economics devotes itself to understanding the enormous complexities that emerge when debt is allowed to circulate as a valuable commodity. Economics devotes itself to helping the powerful stay, or grow, in power.

The obvious advantage that circulating debt gives to the wealthy and powerful is rarely mentioned in mainstream economics. I say 'obvious advantage' because a note promising to pay a lot of money signed by a poor person is obviously worthless, but a promise to pay signed by a wealthy person or corporation or government is obviously worth a lot. The art of using these promises to make more money is the art of delaying or avoiding paying anything out on them. In other words, the promises are largely a fraud. In our modern monetary system, this art has been brought to perfection. Value is created out of nothing for the very rich – and for those who feel personally driven to become very rich.

The economics profession portrays itself as a shining deity advancing progress and prosperity; but in reality, it is a monster promoting insatiable greed and contagious death.

I will now justify this harsh judgement by listing and examining some of the developments promoted and sustained, intentionally or unintentionally, by the discipline of economics.

1. The growth of massive inequality. When huge amounts of money are created for speculators to buy up and profit from the labour and assets of others, those who do it best will obviously become very rich, and those they exploit will become poorer. Inequality increases – massively.
2. Power in the wrong hands. Most people do not want to devote themselves to getting more money and power; they wish to contribute to a good world and live prosperously as a reward for their contributions. Those who seek money and power are in a minority. They are apt to be insatiable, and careless of their effects on the wider world. Thus, power goes into the wrong hands.
3. Oppressive hierarchy, both at home and between nations. Money-creation promotes acquisition both in the domestic economy and abroad. The result is inequality, not just *within* nations, but also *between* nations. Nations with a less developed financial sector are looted and exploited by nations with more experienced and efficient institutions of colonization. Corruption makes this worse (see next point).
4. Corruption. Money is created out of nothing by banks for profit. Governments are entrusted with control of public assets, so corrupt relationships easily develop between those who create money, those who use the money, and those who give permission to exploit a country's citizens and its natural resources. That is why there is so much corruption in the world.
5. Corporate dominance. Because corporations live (potentially) forever, and publish their accounts for all to see, they are ideal vehicles for borrowing huge amounts of money. They use this new money to purchase assets, labour and businesses built by others. Corporations' lack of moral restraint has been recognised as a danger since at least the 14th century. They oblige workers to conform to their amoral demands. They make money for remote owners – shareholders – who neither work for their money nor take responsibility for the actions of the corporation. In these ways, corporations institutionalise destructive and dangerous behaviour, influencing human activity away from morality and care towards profit. Corporations are also insatiable: as profits rise, share values rise, so even more profits are needed.
6. Ignorance. It is vital for the ruling classes that ignorance of the money system should be maintained among voters. Henry Ford is supposed to have said: 'It is well enough that people of the nation do not understand our banking and monetary system, for if they did, I believe there would be a revolution before tomorrow morning.'
7. A mockery of democracy. We are continually told 'the people' are in charge, although 'the people's' only input is to choose once every few years between already-powerful factions. True democracy has not been tested yet. True power lies not with the people, but with those who steal from the people.

8. Right-wing authoritarianism. Most voters do not understand how money is created and destroyed in our world. The process is hidden from them, and they struggle on with the world as it is. So, when inequality and other factors become too oppressive, they look to mavericks who make deceitful promises and make things worse.
9. The corruption of a profession (economics) that could help the world. Economics today devotes itself to helping the powerful, whether left-wing or right-wing (both types of politics depend upon money created and lent as 'promises-to-pay'). If economics devoted itself to addressing the truth it would be more accessible to voters and more easily understood. It could help to create an equitable and just world and address the huge problems that lie ahead of us.
10. Ecological destruction. Hiding behind the authority of a corporation, remote owners exploit and destroy the natural world without having to witness the destruction that gives them their money. Massive amounts of newly-created money are allocated to buying up lands and exploiting them with machinery and chemicals, taking work from indigenous people and giving profit to remote owners.
11. Economic conditions that favour war. The economist Joan Robinson pointed out how (in our present monetary system) huge expenditures on arms are effective at keeping economies healthy. The explanation is simple: taxes take from the rich and pay for arms and military activity, supplying money to workers who spend it on the products of other industries. This reduces inequality and stimulates the economy. Her male colleagues were dismissive of this claim – which is so true as to be self-evident.
12. Poverty and dependence. Inequality makes everyone's position in the world very precarious. Dependent upon huge commercial and government powers, people are reluctant to criticise or think deeply about the structure and systems that dominate us. We are locked into a model of progress that is not good for people or the planet.
13. Culture of escapism. Culture has changed its ancient meaning. The word is related to 'cultivate' and it used to mean cultivation of the human soul so that we might behave caringly towards each other and the world. Now culture is a mass commodity, and escapism is its requisite feature. Corporations provide consumption goods, leisure activities and escapist fantasies. 'High' culture has also taken a different direction, towards nihilism and negativism. Many commentators have said we live in an 'anti-culture'.

REFORM.

Because a promise-to-pay is a debt, the laws needed for our present system were simple: legal for ownership of a debt to pass from hand to hand. In economic literature this is called the 'commodification of debt'.

This points to a simple legal reform which would change the whole world, human and natural: repealing the laws that allowed debt to become a commodity.

This would, at a stroke, get rid not only of fraudulent money creation, but also the multitude of debt instruments that cream off value and keep productive people poor and dependent.

After reform, money would be a permanently circulating commodity, made valuable by legal recognition and safeguards. The quantity of money would be varied only to keep its value stable. New money would be created by the government and spent into the economy (not created as debt). If there was too much money – indicated by signs of inflation – some would be withdrawn by taxation and destroyed.

All this is covered in much more detail in my book [Bank Robbery](#).