

Money

Money Creation



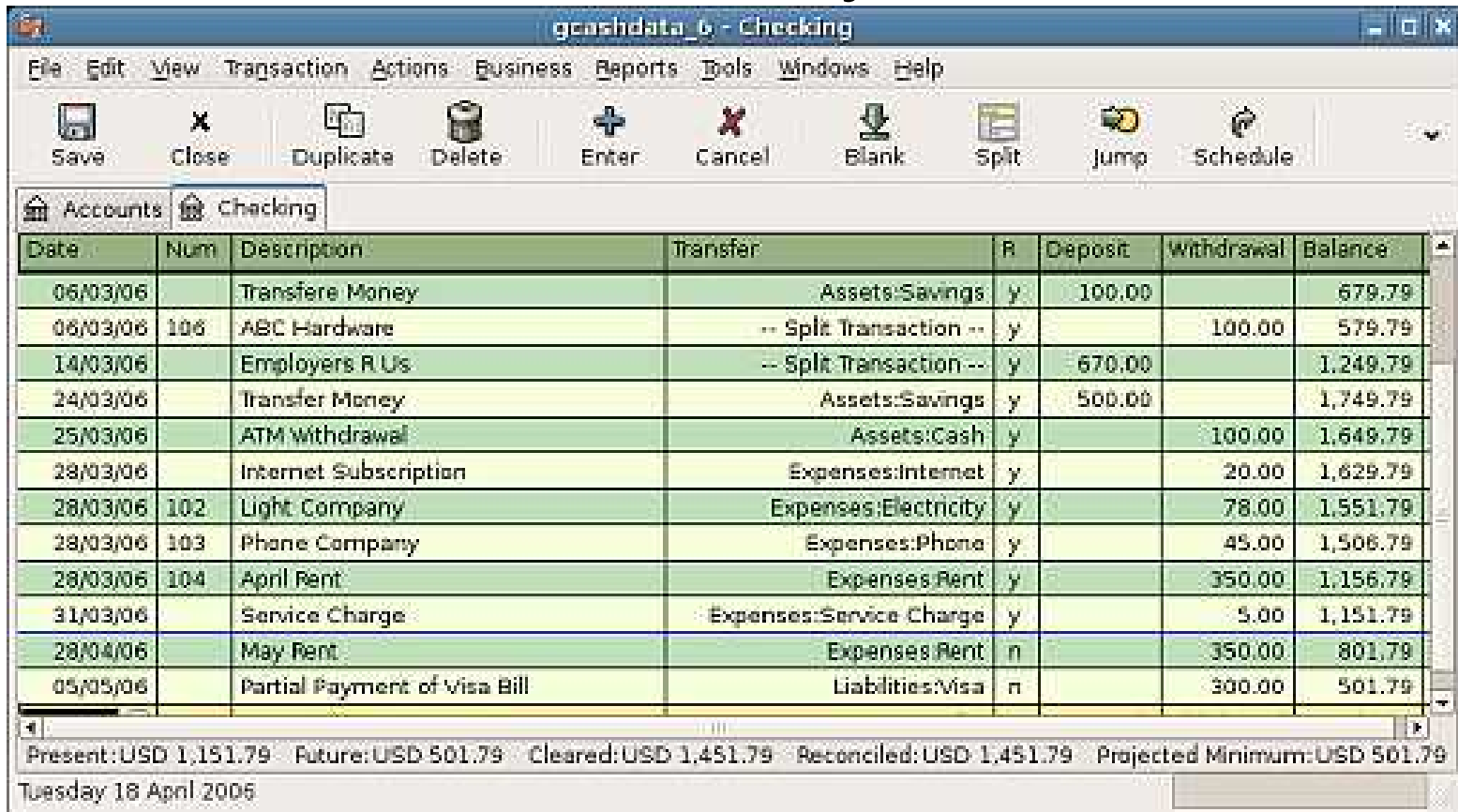
This is rightfully a public matter.

Public money

- I. What is money?
- II. Public vs. private control of money issuance

I. What is money?

90% or more of our money is account money



The screenshot shows a GnuCash window titled "gncashdata_6 - Checking". The interface includes a menu bar (File, Edit, View, Transaction, Actions, Business, Reports, Tools, Windows, Help) and a toolbar with icons for Save, Close, Duplicate, Delete, Enter, Cancel, Blank, Split, Jump, and Schedule. Below the toolbar are tabs for "Accounts" and "Checking". The main area displays a transaction ledger table with columns for Date, Num, Description, Transfer, R, Deposit, Withdrawal, and Balance. The data shows a series of transactions from March 2006 to May 2006, including transfers from savings, hardware purchases, employer contributions, ATM withdrawals, and various utility and rent payments. At the bottom, summary statistics are provided: Present: USD 1,151.79, Future: USD 501.79, Cleared: USD 1,451.79, Reconciled: USD 1,451.79, and Projected Minimum: USD 501.79. The date is Tuesday 18 April 2006.

Date	Num	Description	Transfer	R	Deposit	Withdrawal	Balance
06/03/06		Transfere Money	Assets:Savings	y	100.00		679.79
06/03/06	106	ABC Hardware	-- Split Transaction --	y		100.00	579.79
14/03/06		Employers R Us	-- Split Transaction --	y	670.00		1,249.79
24/03/06		Transfer Money	Assets:Savings	y	500.00		1,749.79
25/03/06		ATM Withdrawal	Assets:Cash	y		100.00	1,649.79
28/03/06		Internet Subscription	Expenses:Internet	y		20.00	1,629.79
28/03/06	102	Light Company	Expenses:Electricity	y		78.00	1,551.79
28/03/06	103	Phone Company	Expenses:Phone	y		45.00	1,506.79
28/03/06	104	April Rent	Expenses:Rent	y		350.00	1,156.79
31/03/06		Service Charge	Expenses:Service Charge	y		5.00	1,151.79
28/04/06		May Rent	Expenses:Rent	n		350.00	801.79
05/05/06		Partial Payment of Visa Bill	Liabilities:Visa	n		300.00	501.79

Present: USD 1,151.79 Future: USD 501.79 Cleared: USD 1,451.79 Reconciled: USD 1,451.79 Projected Minimum: USD 501.79
Tuesday 18 April 2006

10% or less of our money is coins and bills



Account money is nothing new

Ancient Mesopotamia, 3500 BC, clay tablets with Cuneiform records of debts “payable to the bearer.”

“Some of the very first written documents that have come down to us are Mesopotamian tablets recording credits and debits” – Graeber, Debt: The First 5,000 Years

Double-entry bookkeeping in 13th century Italy

Some examples of money

Account balances
Cattle
Cowry shells
Leather money
Beads
Tool money
Clay tablets recording debt payable to the bearer
Sacks of grain
Metals by weight
Shekel
Coins
Bills of exchange
Assignable promissory notes (goldsmiths)
Tally sticks
Tobacco
Beaver skins
Banknotes
Paper money
New account money created as loans
New account money created debt-free by government

Money has taken many forms.

What makes them all be money, i.e.

What is the nature of money?

Different forms of money all *function* as a

Medium of exchange

Unit of measure

Store of value

Why do people accept money in return for their labor and goods?

**Is a society's money system a
public matter?**

The money supply

Overall *quantity* of money

Does the overall quantity of money affect price levels?

Review so far

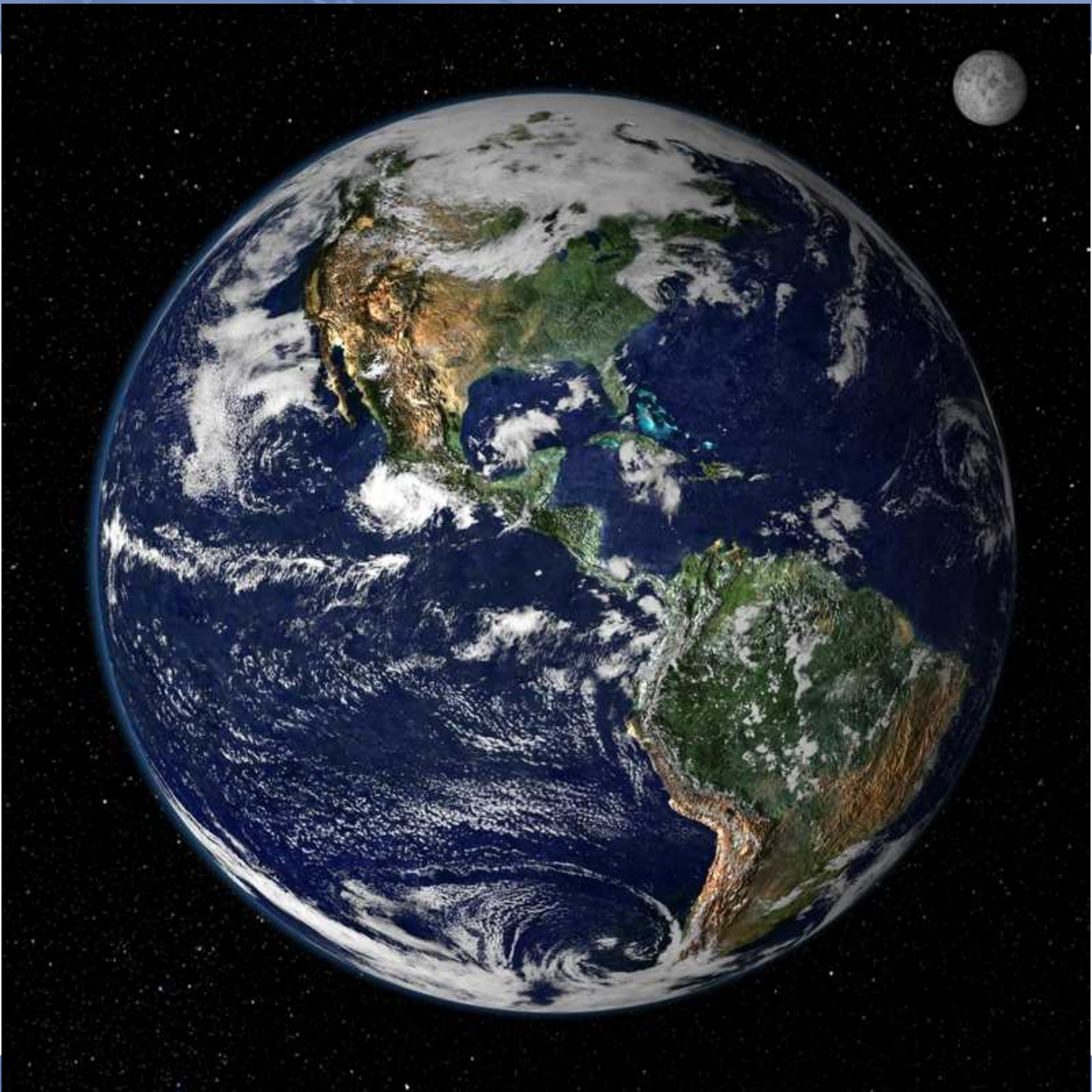
- Money is whatever functions as ***medium of exchange*** for a community or society
- The overall ***quantity*** of money is a crucial variable for maintaining stable wage and price levels

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We can classify forms of money into these types:

COMMODITY (intrinsic value)	FIAT (value by law)	
	Credit	Debt-free



The Commons

- **Earth or Nature**

(ground, water, air, frequencies, ...)

- **Cultural heritage**

(money, language, art, knowledge, customs, ...)

- **Money**

(shared medium of exchange)

II. Public vs private control of money issuance

US MONETARY HISTORY

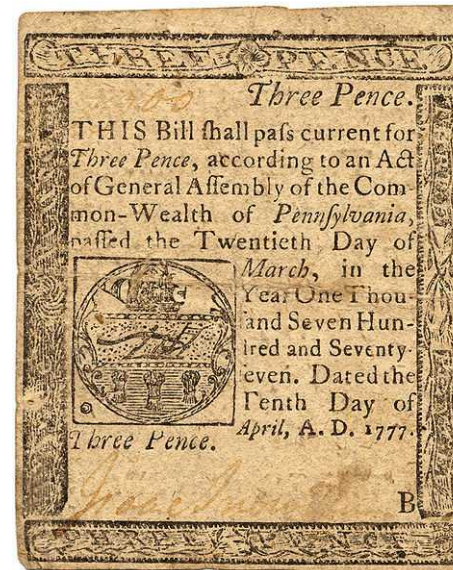
PUBLIC

- Colonial scrip
- Continentals
- US Mint (coinage)
- US Notes
(1862-1971)

PRIVATE

- Commodity monies
- Bank credit money
has dominated
- Central banks
 - First Bank of the US
 - Second Bank of the
US
 - Federal Reserve
System

Colonial currencies



Continental currency



United States Mint

- Created with the Coinage Act of 1792

Legal Tender Acts (1862-3)



US Notes 1862 - 1971

The problem

The money creation power has never been taken away from the banks.

Article I, Section 8 of the United States Constitution

The Congress shall have power

- Clause 1: To lay and collect Taxes
- Clause 2: To borrow Money
- Clause 5: To coin Money, regulate the Value thereof

“The mistake ... lies in fearing money and trusting debt.”

– Professor Henry Simons



An unjust privilege

As long as banks create money that didn't exist before the loan, we have a recipe for transfer of money from the many to the few.

Frederick Soddy

1877-1956, English chemist



In four books written from 1921 to 1934, Soddy carried on a "campaign for a radical restructuring of global monetary relationships", offering a perspective on economics rooted in physics ... Soddy wrote that financial debts grew exponentially at compound interest but the real economy was based on exhaustible stocks of fossil fuels. Energy obtained from the fossil fuels could not be used again. This criticism of economic growth is echoed by his intellectual heirs in the now emergent field of ecological economics.

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Frederick Soddy

The Role of Money (1934)

PREFACE

The “money-power” ... to create and destroy money by adding and withdrawing figures in bank ledgers, without the slightest concern for the interests of the community ...

To allow it [monetary system] to become a source of revenue to private issuers is to create, first, a secret and illicit arm of the government and, last, a rival power strong enough ultimately to overthrow all other forms of government.

What type we accept as our money has far-reaching consequences

Medium of exchange

Shall money be

- some valuable **commodity**? (intrinsic value)
- **credit?** (abstract)
- **publicly issued, debt-free?** (abstract)

Who shall control our money system?

Public money

Separation of

money issuance (public)

from

money lending (private)