

INTRODUCTION

Almost everyone – from the proverbial man in the street to investment bankers and national treasury officials – think that they know what money is. People earn money, spend money, and most have an idea how it can be ‘invested’ – meaning, using money to make more money. However, just because people can manipulate and control money – or know how it is done – does not mean that they understand what lies behind the appearance. More than likely, one’s personal experiences and perceptions of money, will lead to faulty conclusions if extrapolated into ideas of how money works in society.

The very existence of say, a phenomenon like unemployment, indicates clearly to me, that a sound and healthy foundation for what money is or can be, does not exist. I refer not just to the fact that unemployment exists – that is bad enough as it is – but it is the utter paucity and poverty of ideas on what causes unemployment that leads me to conclude that a thorough understanding of money barely exists.

The Occupy Wall Street movement that arose as protest against the establishment institutions responsible for the global financial crisis of 2007 clearly indicated that a sector of society thought that the banking system needed a big overhaul. But the protestors, lacking a clear vision of what they wanted – as opposed to what they didn’t want – could not put forward a proposal for society to move towards. To this day, we lumber onwards with a banking system that is socially bankrupt whilst gorging itself on in the public trough. The will and desire to change is not as clear-sighted in terms of what is needed, as for those entrenched with vested interests in the status quo.

These are challenging words, I know, but I’d like to think that a sound reading of this book will indicate that most of the institutions and practices of Capitalism are incompatible with a sound understanding of money. With a healthy money and banking system, we would have – just to name a few things – an economy with the following features:

- No inflation or unemployment
- No public (government) debt
- The entire private banking system replaced by a public bank
- Share owned corporations replaced by cooperatives; private land ownership replaced by common land ownership

I imagine some people, on reading the short list above, would dismiss me straight away as a leftist utopian flake, and throw away this book with a condescending smile. The readers who persist will see that I do build up my arguments and concepts very carefully and methodically, and that I understand what makes Capitalism tick. All the above, and much more, would follow from a sound unbiased way of thinking about money.

It is almost platitudinous to say that our thoughts not only create our social institutions; our social institutions also have a way of shaping and circumscribing our

thoughts. One can learn much about how our monetary and banking system works – become an expert and authority even – but such expert insight is founded on existing practices, which in turn is founded on the thoughts of men and women from previous generations and previous centuries. A truly objective and unbiased approach to developing our monetary and banking system would allow society to unfold a healthy system – through trial and error, if necessary – but the peculiar thing is that money, or rather, the control of money, is a source of power. The result is that our institutions and practices based around money, and the thoughts about money, has been shaped by powerful vested financial interests. Even when the money-banking system clearly does not work for society as a whole, so long as it serves these vested interests, an ongoing program of obfuscation and indoctrination makes it hard to grasp some sound thoughts on how change will come about.

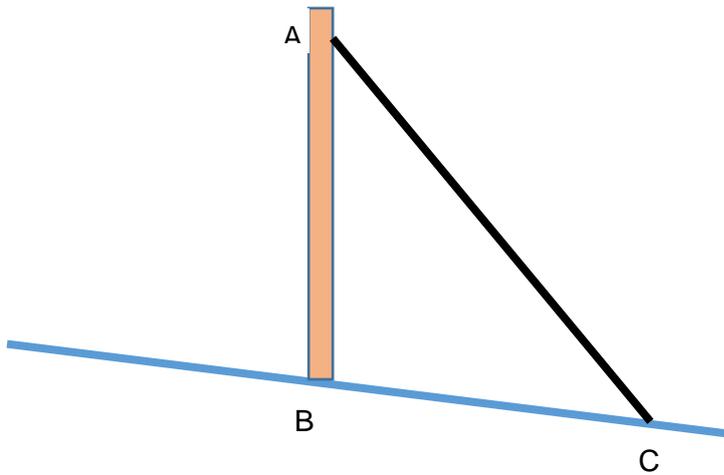
To borrow a term popularised by the film *The Matrix*, one needs be able to stand outside of the whole matrix of thoughts about money and banking that has embedded itself into our modern consciousness. Standing outside of the matrix, one might gain not just a set of new ideas but what might rightfully be called a paradigm shift. Many of the seemingly intractable problems and iniquities that beset our modern society will fall away (conceptually speaking). A post-capitalist money-banking system will be much easier to understand than our current capitalist one. A healthy replacement for the capitalist money-banking system will not be as conceptually challenging as say, quantum physics' displacement of classical physics.

To embark on an ambitious conceptual journey to change our money-banking system, one needs to do two things:

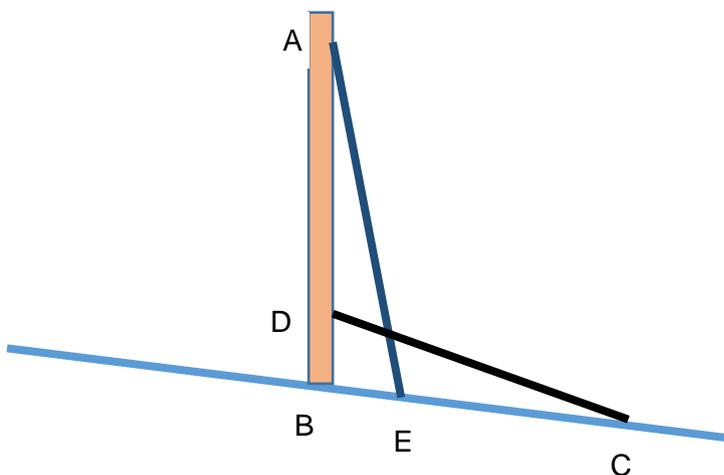
1. Think things through from first principles. This clarifies and corrects any faulty presumptions one might have had.
2. Suspend – or be prepared to suspend – all that one believes to be true and good about money from what one already knows from our existing practices. If an existing practice is in conflict with what one has thought through from first principles, then a re-examination of one or the other is required.

If a social program of obfuscation and indoctrination has been at work as I have asserted, then one needs to meet this insidious force with thinking that is clear, creative, and objective. Clarity is required because money, as with any subject of scientific enquiry, requires one not to have muddled thoughts. Objectivity is required so that one's vested interests and predilections do not obscure the process. And finally, an element of creativity is needed because without it, one may be able to see why things are faulty, but one will lack workable ideas to go forward with.

Certain principles, or 'laws', pertain to money. One cannot create a healthy money-banking system without a conscious awareness of, and fidelity to, these principles. It need not be a matter of trial and error; rather, it can be grasped in pure conceptual form. Allow me to explain what I mean by use of an analogy.



Above is a sketch of a wall in cross section. It is being braced, represented by the black line AC. Without having advanced mathematical or engineering skill, one can sense/know inherently that the brace works most effectively if the distance BC equals the distance AB. (The brace works even better if placed on the other side of the wall.) Individual situations may make the placement of the brace in this position impossible, but one knows that this arrangement makes for the strongest bracing. The bracing will not be as effective if the brace is placed in position CD or AE as illustrated below.

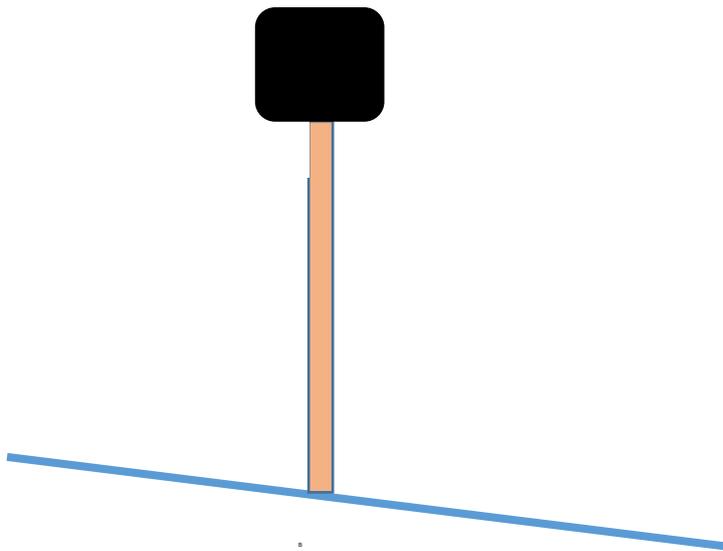


Just as one can have a sense of the what is ideal in terms of bracing; just as one can sense the triangulation principle at work in bracing; one can similarly sense that money should be following a number of principles, or 'laws', in the way it is structured in society. Certain structures, for instance, are not only unjust but also *innately* contrary to the form and function of money.

The above analogy fails to highlight a particular difficulty: how money works in society has to be conceptualised or inwardly visualised. There is very little in the way

of physical representation, or presentation. If for instance, I show that money made (but not earned) by very wealthy people contributes to unemployment, one has largely to visualise it with very little aid from the sense perceptible world. In this sense, it is a little like quantum physics – but fear not: the study of money is nowhere near as challenging.

Allow me to milk the fence bracing analogy a little bit more. In Capitalism, we have the situation in which the entire monetary situation becomes more and more unstable. In the fence bracing scenario, it is akin to an unbraced wall. However, there is more: a substantial weight is fixed on top of the wall, as illustrated below.



This weight is not only not part of the wall. Its substance, if one can imagine it, is drawn from, or leached out of, the wall – thus weakening the wall in the process. This weight represents the sector of the society, the very wealthiest sector of society, which not only does not contribute towards the production of goods and services (which would be contributing to the strength of the wall), but they make a monetary income which is unearned. They use money to make money. With their unearned income, they make claims on the goods and services that the rest of society create (leaching substance out of the wall). Further, the unearned income enables this deadweight to gain even more mass (the wealthy getting wealthier). The wall becomes ever more unstable, and in proportion to how much deadweight is at the top, the ‘corrective’ crash (i.e. financial crisis) is severe and damaging.

If the majority in society are suffering from unjust structures in our monetary structures, then rectifying it is a case of understanding these principles that operate in money.

In Part I of this book, I articulate some 25[?] such principles. These principles are explored in detail in chapters 1 to 25. I have summarised these principles in Chapter

0, which is a chapter I have introduced in order to present an overview and synopsis of these 25 principles.

Part II deals with other issues of great social and economic importance – issues which are strongly related to the subject matter of money, but not wholly pertaining to the principles of money as put forward in Part I. Some of the chapters in Part II could be approached as stand-alone articles. I believe most of them are both a departure from, and challenge to, orthodox beliefs in economics. I also believe these chapters will ring true for a person who approaches the subject matter with a mind unbiased and unfettered by the practices of Capitalism.

I have introduced a device to enable you, the reader, to visualise how and why the handling money should be structured differently in society. This device entails a hypothetical situation in which a large group of people find themselves stranded on an inhabitable island, who then proceed to create a new society and a new economy. I give this island the name of Nufoundland. The economy of Nufoundland entails a currency and a banking system which is developed from scratch. With this device, I am trying to give a tabula rasa in which one can think out how money *should* work, and *can* work – unencumbered by how it currently works, or not work. The principles of money can thus be imagined into action in such a hypothetical society. In the language of philosophy, this might be called thinking ‘ideally’ (following the stream of philosophy called Idealism).

One last note, regarding style: the subject of money as a societal creation might come across as being dry and hard to grasp. In spite of the fact that it affects everyone, many people find it hard to warm up to the subject of say, public debt, or taxation policies. In order to make it a subject that readers can relate to more readily, I will develop a more ‘conversational tone’ in this book by addressing the reader in the second person singular – ‘you’.