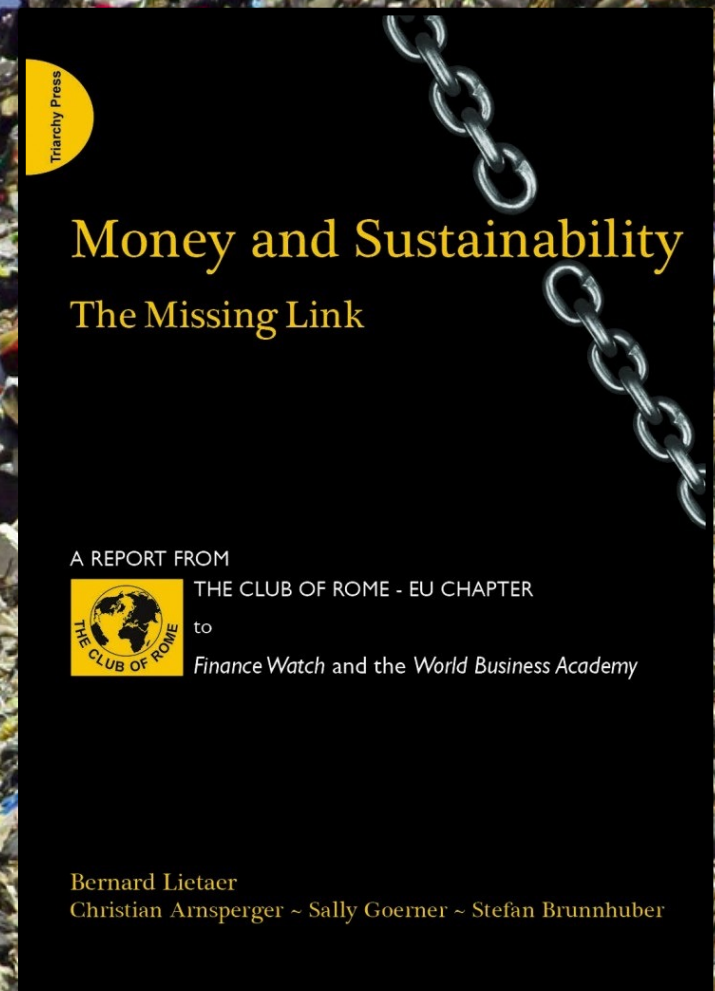


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Adapted from Bendell, J and M. Slater (2015) Money and Society, free course, www.iflas.info

Lesson 3 – Problems with Money

“All of the perplexities, confusion, and distress in America arises ... from downright ignorance of the nature of coin, credit, and circulation.”

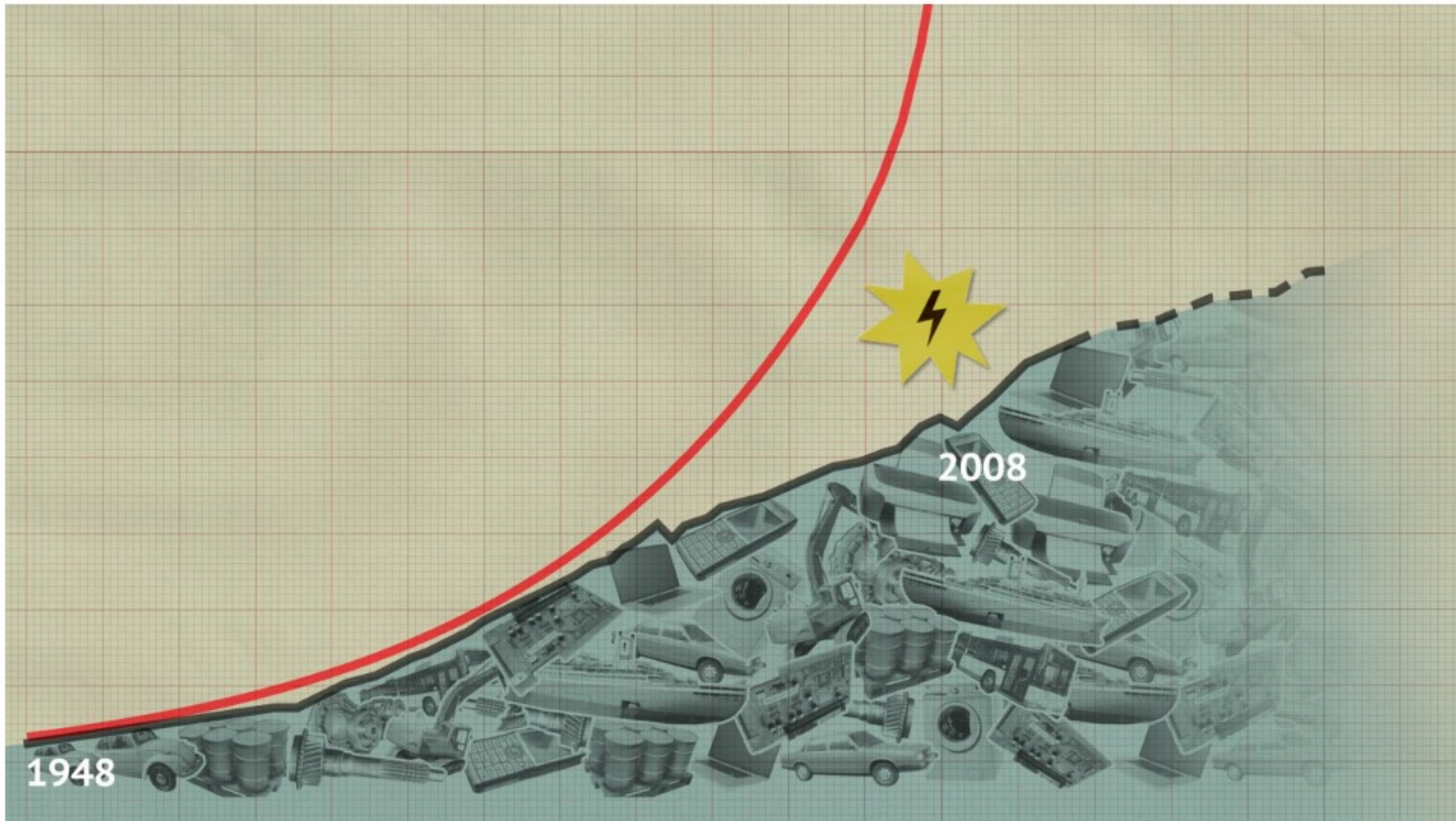
John Adams (1787) Founding Father of the American Constitution



Now watch [Money as Debt](#) until 13:00



Debt and Interest

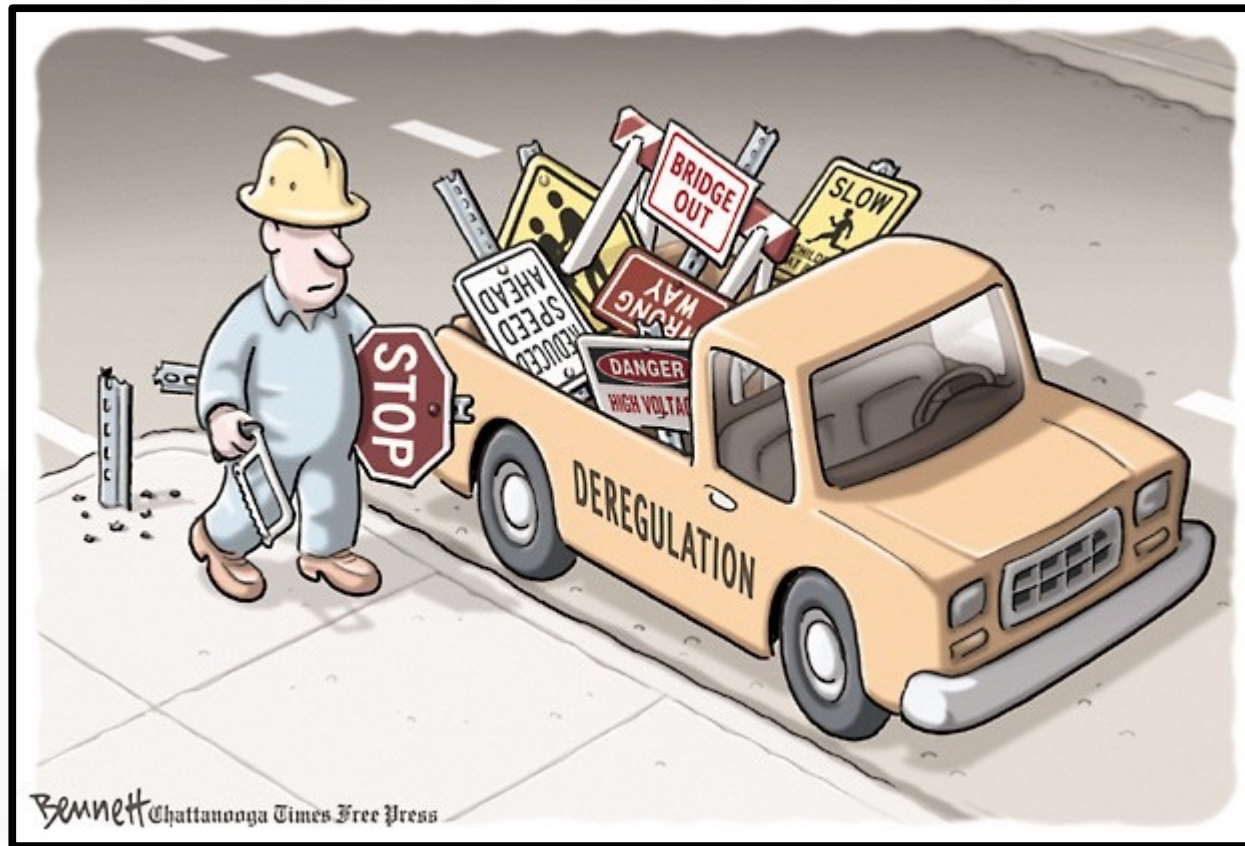


While the economy grows linearly, the money/debt grows exponentially.

Optionally watch [A flaw in the money system](#)



Deregulation



How does regulation affect trust? Who needs to trust whom?
When is it the government's job to protect consumers of financial products?

Think...



Discounting the future



When interest rates are positive, the further ahead an asset or cost is, the more its value is diminished in today's money.

Thus, on today's balance sheet, the decommissioning of a nuclear power station 50 years from now is very affordable.

Similarly don't waste your money planting trees when the money will grow faster in the bank



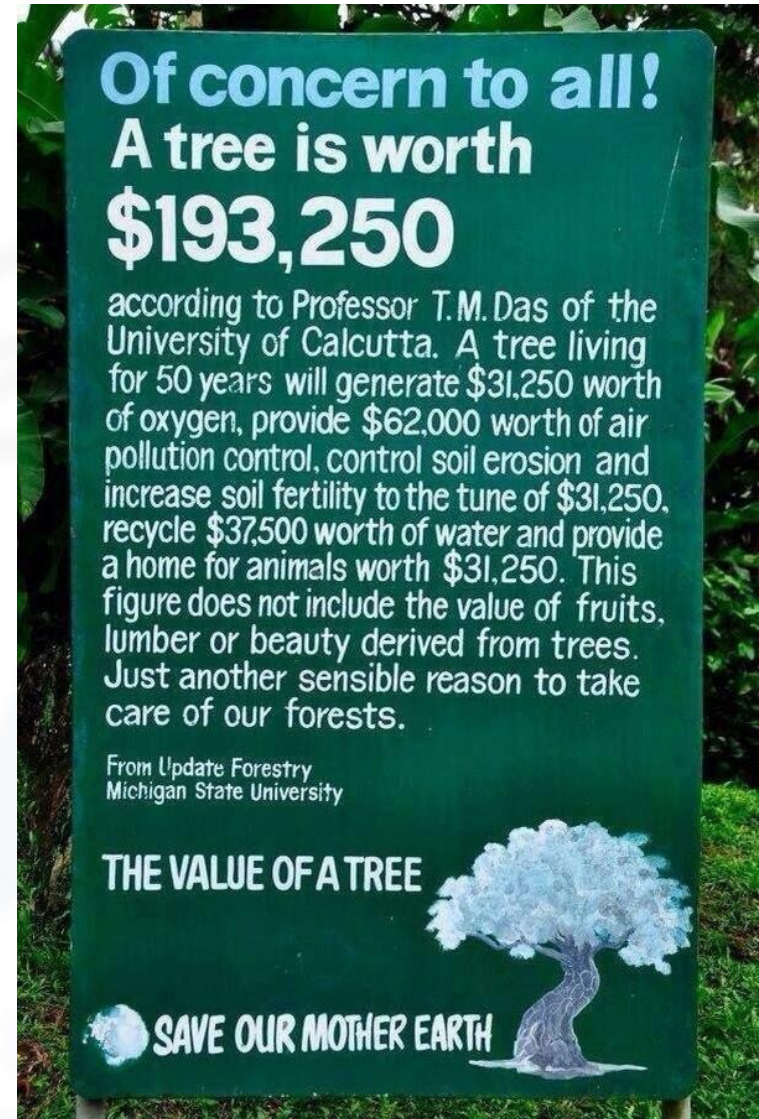
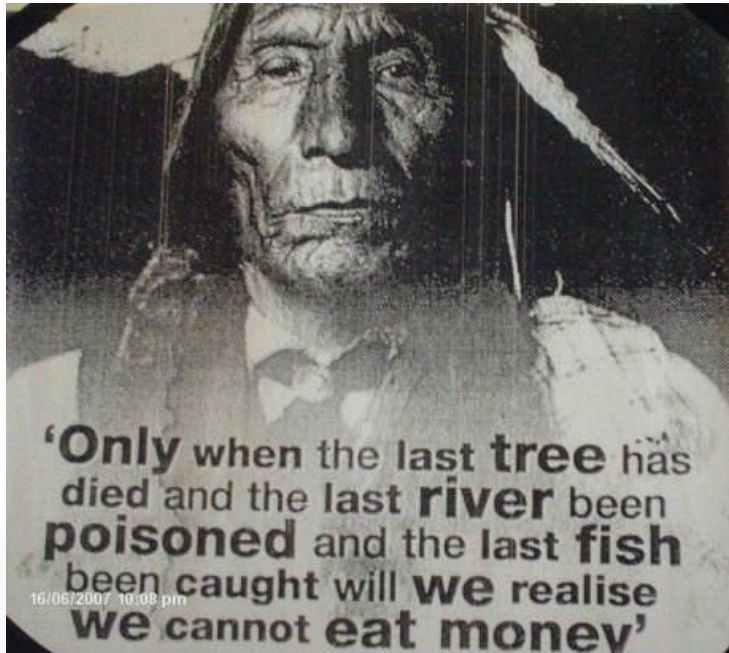
How would the future assets and liabilities appear on balance sheets if interest rates were negative?

Think...

Watch [A bee's invoice](#) (7 mins)



Commodification of Nature



More Money = More Debt

\$ 054,928,239,433,123

The global public debt (est) on 16 Dec 2014. (Click to see the current figure)



What should governments counsel citizens to do with their debts in a recession? How much sense does it make sense to lower interest rates to encourage people and business to borrow and spend?



Wealth Concentration & Inequality

**“The richest 85 people own the same amount of wealth as half of the world's population.”
(Oxfam, 2014)**



Weaponising payment networks



The blockade is outside of any accountable, public process. It is without democratic oversight or transparency. The US government itself found that there were no lawful grounds to add WikiLeaks to a US financial blockade. But the blockade of WikiLeaks by politicised US finance companies continues regardless.



Inevitability of default

- [Money as Debt II](#) to 35:00



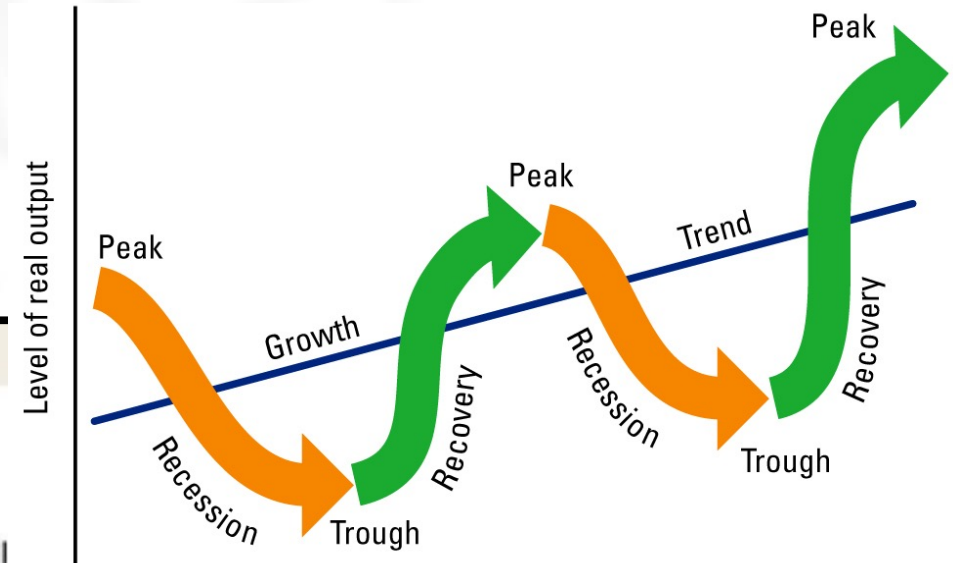
Bubbles

- Tulips
- French Mississippi Company
- South Sea Company
- Dot Com
- Sub-prime Housing
- Government bonds
- Oil
- The dollar
- Bitcoin?

Now watch [Fear the Boom and the Bust](#)



The business cycle



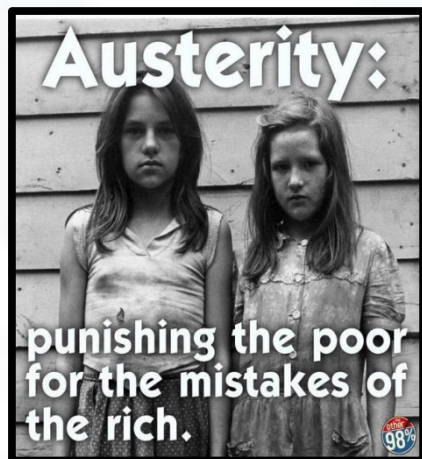
Keynesian Stimulus



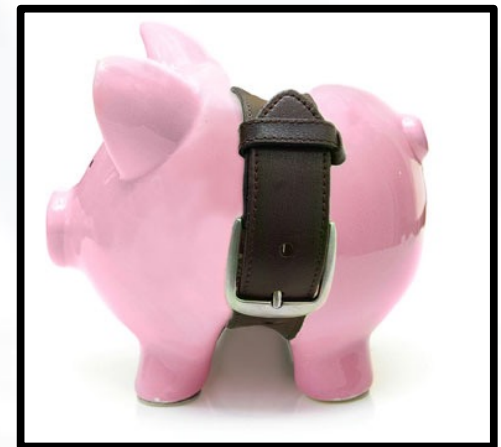
Austerity



Anti-austerity rally
in Valencia, Spain



Tightening the belt -
A metaphor or a
euphemism?



Living on the precipice

- More systemic leverage/risk
- Nowhere to put money
- Pension insecurity
- Privatisation
- Fear of war or collapse



Currency war



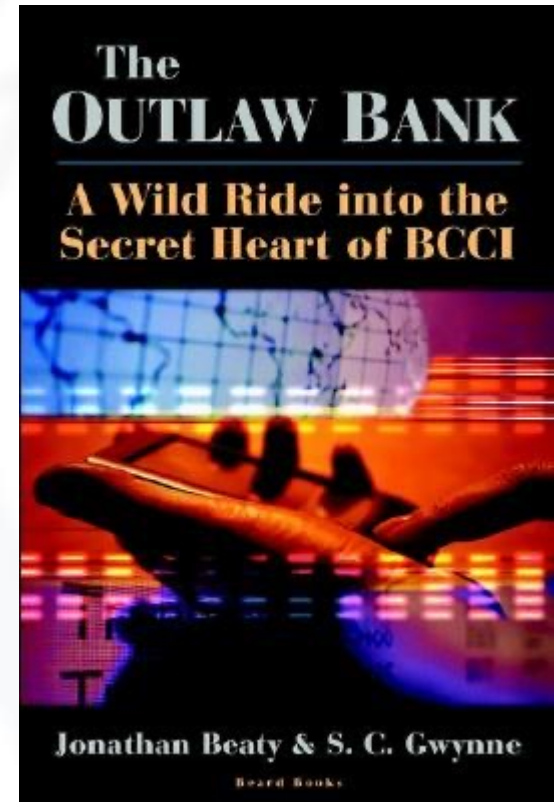
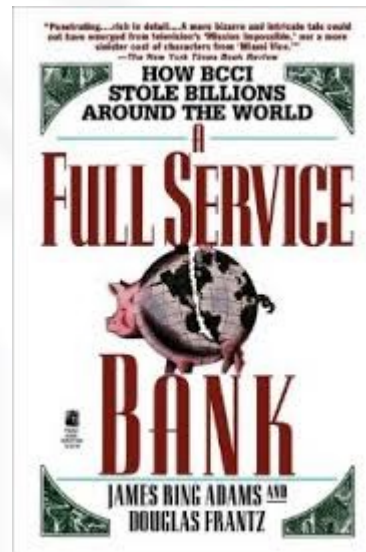
Think...

Who benefits from a 'race to the bottom'?

Now watch this clip from [The International](#)



Banking Crimes



Too Big To Jail



Rolling Stone journalist Matt Taibbi called Goldman Sachs “great vampire squid wrapped around the face of humanity, relentlessly jamming its blood funnel into anything that smells like money.” This cartoon accompanies his more recent article, 'Too Big to Jail'.



Sovereignty



Berlusconi survived many shocking scandals in his career, but when 'the market' judged Italy to be in danger of defaulting on debt, he was elbowed out in favour of someone who ensured Italy would keep paying its foreign bondholders.



Independence of Central Banks?

The Central Bank and international finance played a key role in the Japanese boom & bust. Lessons can be learned by other countries, such as those in Eurozone.

Watch last 10 minutes of

Princes of the Yen

A film about the power of central banks and the transformation of the economy



Malevolent intent?



"I am not so uninstructed and misinformed as to suppose that there is a deliberate and malevolent combination somewhere to dominate the government of the United States. I merely say that, by certain processes.. the control of credit also has become dangerously centralized... The great monopoly in this country is the monopoly of big credits. So long as that exists, our old variety and freedom and individual energy of development are out of the question. A great industrial nation is controlled by its system of credit. Our system of credit is privately concentrated. The growth of the nation, therefore, and all our activities are in the hands of a few men who, even if their action be honest and intended for the public interest, are necessarily concentrated upon the great undertakings in which their own money is involved and who necessarily, by very reason of their own limitations, chill and check and destroy genuine economic freedom. This is the greatest question of all, and to this statesmen must address themselves with an earnest determination to serve the long future and the true liberties of men" **28th US president, Woodrow Wilson** (1910)

"Banks have done more injury to the religion, morality, tranquility, prosperity, and even wealth of the nation than they can have done or ever will do good."- **2nd US President, John Adams** (1826)

"From the time I took office as Chancellor of the Exchequer, I began to learn that the State held, in the face of the Bank and the City, an essentially false position as to finance. The Government itself was not to be a substantive power, but was to leave the Money Power supreme and unquestioned."- **UK Chancellor of the Exchequer, William Gladstone** (1852)

"I see in the near future a crisis approaching that unnerves me and causes me to tremble for the safety of my country; corporations have been enthroned, an era of corruption in High Places will follow, and the Money Power of the Country will endeavor to prolong its reign by working upon the prejudices of the People, until the wealth is aggregated in a few hands, and the Republic is destroyed." - **16th US president, Abraham Lincoln** (1865)

"He who controls the money supply of a nation controls the nation. - **20th US President, James Garfield**



Money and the psyche



Studies indicate 'money' could influence apes behaviour similar to humans'.



How does money, even when there is enough of it, affect **your** feelings and your relationships? Do you think this is the case for all types of currency?

Think...

Now watch: [Money and Life on GDP](#) until 27:20 (4 mins)



GDP Growth

"Our enormously productive economy... demands that we make consumption our way of life, that we convert the buying and use of goods into rituals, that we seek our spiritual satisfaction, our ego satisfaction, in consumption... we need things consumed, burned up, replaced and discarded at an ever-accelerating rate."

"Price Competition in 1955", Victor Lebow



If charts showing the money supply have an exponential shape, it is because they follow interest. But how long can the economy grow exponentially?



Recap: The problem of Interest?

In this lesson we have seen how interest:

- charged on an existing stock of money presents challenges for sustainable development by incentivising people, organisations and societies to want money more than real wealth, and to discount future value and costs
- charged on the issuance of the money supply creates a range of far more difficult problems for economy and society than charging it on existing stocks of money. And there is little discussion or rationale for such a system
- earned on savings is necessary to maintain the value of people's savings in a system experiencing inflation
- can encourage saving, rather than in gold buried in the garden, in more fungible useful ways, allowing temporary transference of economic power to others through lending



Think...

How could money and interest work better for the individual and society

Now watch [Krugman vs Keen](#) until at least 3 mins



What's wrong with economics?



Re-capping on 3 lessons

Before undertaking your assignment, watch an 18 minute presentation by Professor Jem Bendell that re-caps on some of the key themes of the course so far:

<https://www.youtube.com/watch?v=vWeQfNpW9sQ> (18 mins)

Jem this is at the start of lesson 4 – lets see about the timing.



Assignments

Option 1 - Imagine an elite anarchist hacker cell created a virus which overnight wiped out all electronic records of currency of all types, including deposits, loans, and many derivative contracts stored electronically. Imagine one year later, you are cycling around near your home. What would things look like? What would people be doing? Write no more than 400 words describing the scene, with some comments at the end of your description on why you think this would be the situation. Be as creative, descriptive and poetic in your prose as you wish.

Option 2 – Choose one of the many problems we described as arising from the current monetary system and in no more than 400 words make your argument about why our analysis is limited, or unhelpful or just plain wrong. In making your case, reference all your sources.



Homework

In advance of doing your assignment, you may find listening to this programme to be of interest:

Teaching economics after the crash: Aditya Chakraborty reports on the student fight to reform their economics education.

<http://www.bbc.co.uk/radio/player/b04svbjj>

Further reading & Sources

More on Margrit Kennedy

<http://www.scoop.it/search?q=Margrit+Kennedy>

BCCI bank of the CIA

<http://www.unwelcomeguests.net/712#2>

Cobden centre, a blogging platform for Austrian Economists

<http://www.cobdencentre.org>

First UK debate in 170 years in parliament

https://www.youtube.com/watch?v=s6a_0zJDsr8

New Economics Foundation: Inequality and Financialisation,

<http://www.neweconomics.org/publications/entry/inequality-and-financialisation>

Money as Debt shows all money is promises, even Gold money at the end of the day

<https://www.youtube.com/watch?v=qlwQJSLPqD0>

Hudson, Michael, The Bubble and Beyond (Book)

<http://michael-hudson.com/books/the-bubble-and-beyond>

Frederick Soddy, The Role of Money (PDF Book)

<http://www.archive.org/details/roleofmoney032861mbp>

Rickards, James, Currency Wars (Book)

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