

# Money – why isn't there ever enough?

Our economy is drifting into increasingly difficult times. The media is full of headlines about failing finance companies and investment banks, rising food and fuel prices, unaffordable mortgages, high exchange rates and the 'credit crunch'. After months of assurances that the problem is over, it is getting worse. The American government is preparing to bail out the finance industry on Wall Street with a trillion dollars.

Alongside that, we also notice that the inequality between rich and poor is not being addressed and will likely keep increasing. Further more, we are in an election year, and the main parties are out in force with easy answers - tax cuts, apparently the panacea for our economic woes.

It might be time to explore a bit further what is underlying all those symptoms we are experiencing. At the core of our economic system is something we call money and the financial industry. Most people never think about how money works, except that we will hurt if we don't have it, and therefore the best thing is to have as much of it as possible. The amount of money in circulation is rising rapidly - between 10% and 15% any given year, which is far beyond the increase of population in New Zealand - and this is far beyond the growth of the economy. Yet there never seems to be enough.

If we take a closer look at how the money system works, then we see that the current difficulties were entirely predictable. Price rises across the board are caused by different things. There are at least three major reasons for why everything becomes more expensive: a) offer and demand in the international market place, b) expectation of profits and c) the cost of money.

We are currently experiencing significant increases in the cost of basic items we need in life, like food and fuel. For both of these necessities, and for many other items, we depend on the global market. Peak oil and political uncertainty in many regions drive commodity prices up, fuel and food get more expensive because of higher transport costs, export restrictions and speculation. The demand and supply mechanism of the world markets is further enhanced with exchange rate uncertainties, with the highly valued NZ\$ making imports even more expensive.

The second reason for expensive prices is the expectation of profits. Oil prices, after hitting a high of almost \$150 in July, have come down to below \$100. Why is that in such a short period of time? Has there been a significant change in production – or is this rather a result of speculative trading with investors taking profits? In any case, those variances have a significant impact onto the prices we have to pay as a consumer. The same applies for food items.

The third reason why prices (and mortgages and rents) keep rising is the cost of money! There is hardly any property in the country that doesn't have a mortgage on it and most businesses operate on borrowed money as well. Despite the recent lowering of interest rates by the Reserve Bank, mortgages and other loans are still really expensive. At today's mortgage rates, one pays about 1.5 times the price of a house to the bank for the service of creating the money – that makes the buying of a house more than twice as expensive than the price advertised by the real estate agency. The cost of money creation – interest – is factored into all prices we pay, for everything, not just for major items like houses.

This takes us right to the heart of how our money is created. It is a fact that about 98.5% of our money is loaned into existence by a bank that is collecting interest for the privilege to do so. Nowadays, money doesn't represent the value of gold anymore, as it used to do in the past. Today's currencies are 'fiat' currencies – money is just created by a key stroke on a computer – out of nothing!

The only protection (or value!) money has, is the law that makes it 'legal tender' – that means that the government requires you to use a particular kind of 'money' to pay taxes. At the same time, if traders cannot agree to use another means of exchange among themselves, the law requires that one uses legal tender to settle any outstanding debt.

When money is loaned into existence, the banks are required to balance the numbers keyed into an account with a balancing account entry – in the case of a mortgage the value of the property mortgaged. This is how the 'sub-prime' crises arose at the first place, when money was created for people who could not service the mortgage and didn't have enough property value to cover the loan. This all got worse when the real estate bubble burst and property values slumped. Since we live with a 'financial monoculture', where we have only one kind of money to run our economy, we all are extremely vulnerable to any upsets in the financial industry.

Well then, what is being done about it? Having only one kind of currency to oil the economy, there are not many means to guide it. Reserve Banks in many countries believe that they only need to adjust interest rates to guide the economy. Currently the main aim seems to be to create a lot of money, by lowering interest rates, to keep the economy oiled – especially the speculative stock and currency markets, which far exceed 95% of all economic turnover.

And still - why is there never enough money? Simply because the system is designed to be that way on purpose!

What can we, the people, do about it? Maybe there is a great opportunity in this crisis! We've been putting all eggs into one basket: bank-issued money. Now, with the financial industry in dire straits, we might start looking at other solutions. Maybe it is time to transition from bank created money to community created money, from money created for private gain to money created for the common good, from money which is very expensive to money which is an almost free medium.

There are many thinkers and economists who have developed concepts of monetary reform and monetary transformation. Monetary reformers usually call on government to retake the power of money creation and to do so in the service of the people. Monetary transformers, often coming together in community groups, go ahead and create their own means of exchange and use it to empower and grow local communities, insulating them somewhat from the ravages of globalisation and insensitive government policies. Both have in common that currency should be issued without interest, and therefore radically reduce the cost of money.

More and more people are discovering that we have a multitude of ways at our disposal of trading and exchanging services and goods among each other. Money was invented because direct barter is often inconvenient. Money that is universally acceptable is a tangible form of trust – trust that we will receive something back for what we have provided on one hand, and trust that we contribute for what we have taken and consumed on the other hand. This trust could very well and easily be expressed in the form of complementary community currencies, timebanks and other non-exploitative exchange mechanisms. Trust could also be an implicit part of a culture of a community or nation. Such a culture would provide naturally occurring opportunities to share in the abundance that exists, unconditionally, without fear of lack. Ultimately, every individual human being can come to the realisation that we are all part of Nature, and that Nature and its intricate and interwoven systems will not stop providing – except of course if we destroy it in the process of satisfying and 'servicing' our current scarcity based money and economic system.

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updated: September 2008