MAKING MONEY

Although banks can not exist without money, money can exist without banks.

By Jimm Braadli

MAKING MONEY

.
Although banks can not exist without money,
money can exist without banks.

BY JIMM BRAADLI

COPYRIGHT 2010
JAMES ARTHUR BRADLEY
4764 DUNCLIFFE ROAD
RICHMOND
B.C.
V7E 3N1
CANADA

MAKING MONEY

Introduction 4
It Matters – A Lot - What Money Is Made Of! 5
Buying Power and the Story of Trade 7
The Story of Money 9
Unofficial Money vs. Official Money 14
The Story of Banking 16
Why Bank Credit is Not Good Money (for Anyone Other Than Bankers) 25
Inflation / Deflation 28
Unsound Money vs. Sound Money 36
Store-Bought / Ready-Made Money vs. Home-Made Money 39
Solutions to Being Ripped Off by Being Forced to Use Bank Credit as Money 42

Introduction

Things that aren't usually considered dangerous can sometimes be used as weapons.

For example, in one movie, a woman takes off one of her shoes and stabs its long, pointed heel into a man's eye.

Money, not usually thought of as dangerous, can be used as a weapon.

Counterfeiters create unsound money and use it to steal buying power from their victims.

So do bankers.

Among their victims is . . . YOU!

(When I say "bankers," I don't mean the tellers at your local bank. I mean those who control the money creation of nations.)

It Matters – A Lot - What Money Is Made Of!

The three little pigs found out that it matters - a lot - what houses are made of.

Have you ever thought about what *money* is made of? Well…

It matters - a lot - what money is made of!

For example, which would you rather receive in exchange for a day's work: a one ounce coin made of pure gold with '100 dollars' stamped on it, a one ounce coin made of pure silver with '100 dollars' stamped on it, or a one ounce coin made of pure copper with '100 dollars' stamped on it?

Or one hundred trillion Zimbabwean dollars??!!

What if something that was supposed to be a pure gold coin turned out to contain only 50% gold?

If you had worked to earn the coin, believing that it was pure gold, wouldn't you feel ripped off? (Here, the money would have been made 50% out of gold, and 50% out of fraud!) You would not be getting all that you thought you were getting for your work. You wouldn't be able to buy as much with a coin that was only 50% gold as you would be able to buy with a pure gold coin. You would have been robbed of much of your power to buy, that is, "buying power."

It matters - a lot - what money is made of!

MOST OF THE "OFFICIAL" MONEY IN THE WORLD IS MADE BY BANKERS OUT OF SOMETHING THAT SHOULD NEVER BE MADE INTO MONEY, AND IS USED BY BANKERS FOR STEALING BUYING POWER FROM PEOPLE!

Before we can go further, we need to understand what "buying power" is, and what "money" is.

Buying Power and the Story of Trade

Most often, when people are concerned with either having enough money, or getting more of it, what they are concerned with is "buying power." Buying power is also known as "purchasing power."

Aside from coin collectors, most people want money for what they can buy with it. Buying power, or purchasing power, is the ability to pay for goods and/or services.

If you have anything of value, you have some power to buy, or *buying power.* You can trade the thing of value that you have for a different thing that you want and/or need. That is all that buying is.

The power to buy, to acquire, is perhaps the most important power there is in the modern world.

If you have enough power to buy, you can acquire healthy water, nutritious food, adequate clothing and safe shelter.

If you have NO power to buy, you are in trouble in this world.

Let's look at buying power in action. Imagine that Jack has an orange and Will has an apple. Jack suggests that they trade. Will agrees.

Jack gives his orange to Will. Will gives his apple to Jack. Jack eats the apple. Will eats the orange.

orange →

Jack Will

← apple

In this trade, or barter, Jack's orange gave him some buying power. It bought Will's apple. The *price* of Will's apple was Jack's orange.

Will's apple gave him some buying power. It bought Jack's orange. The *price* of Jack's orange was Will's apple.

In this trade, or "barter," there was buying and selling, with prices and payments, but NO money.

In this trade, the buying power of Jack's orange was used only once, to buy Will's apple. The buying power of the orange was forever extinguished when Will ate it.

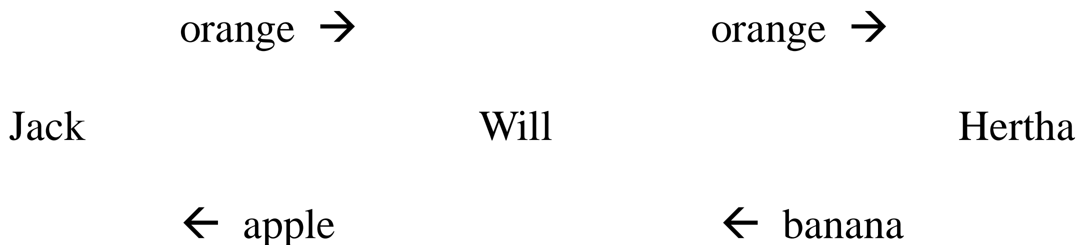
In this trade, the buying power of Will's apple was used only once, to buy Jack's orange. The buying power of the apple was forever extinguished when Jack ate it.

We have just seen *the story of trade*, also known as "barter." The story of trade includes buying, selling, prices, payments and buying power.

The Story of Money

Now, we will tell the *story of money*. It is the story of something being traded more than once, that is, being *re*-traded, or being the payment in more than one trade. It is the story of buying power being used more than once.

Please imagine that instead of eating the orange that he got from Jack, Will decided to exchange it for Hertha's banana.



In this *series* of trades, the orange was traded by Jack, and then it was traded again, or *re*-traded by Will. The orange bought (paid for) Will's apple, and also paid for (bought) Hertha's banana.

In this series of trades, Jack, Will and Hertha all did some buying, and selling. There were prices and payments. *And there was money.* The orange ***became money*** when it was re-traded. The orange ***became money*** when it was the payment in more than one sale. (It paid for Will's apple and it also paid for Hertha's banana.) The orange ***became money*** when the buying power that it gave to whoever owned it was used in more than one transaction.

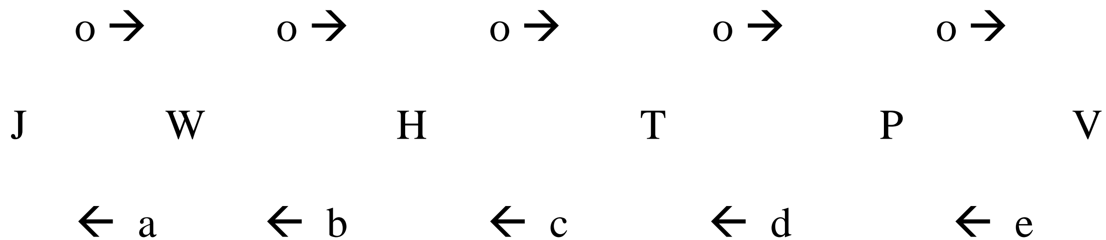
Money is: anything that is *re*-traded.

Money is: anything that is the payment in more than one sale.

Money is: buying power used more than once.

You can see that the orange, which we'll simply call "o" could be the *payment* for many things ("a" for apple, "b" for banana, "c" for cupcake, "d" for doily, "e" for eye-drops) bought by many people ("J" for Jack, "W" for Will, "H" for Hertha, "T" for Terry, "P" for Patty, and "V" for Vixxy.)

The orange would *become* money when it was *re*-traded by W, and the orange would *stay* money as it was further *re*-traded by H, T, and P.



You can see that money can come into existence, *naturally,* through the trading activities of people.

When people re-trade *any*thing in a series of trades, *money happens.* ***THE THING THAT IS RE-TRADED BECOMES MONEY!***

Now, what would happen if "V" for Vixxy were to finally eat the orange? Well, it would disappear, of course, and it could no longer be money. That would only be natural.

It is perfectly *natural* that money both comes into existence, and goes out of existence. In a sense, money is born, and it also dies.

Money is not something that automatically "is money" because it has some magical quality to it. **Money is, simply, *any*thing that is *re*-traded. *Every*thing that is *re*-traded is money**.

Now, instead of an orange being *re*-traded in a series of trades, imagine that it were a pack of cigarettes, a pair of nylon stockings, a piece of gold, or a piece of paper with "1 dollar" printed on it. You can see that all of these things are merely things that are *re*-traded in a series of trades. They are merely the payments in more than one trade. They are merely forms of buying power that are used more than once.

Over the years, things as different as cigarettes, nylon stockings, food, gold, paper dollars, elephant tails, drugs, cows, slaves and tea (tea grows on trees, so money might grow on trees after all!) have all become money. That is, they have been *re*-traded in series of trades.

Even now, such things as cigarettes and drugs become money in prisons. They are *re*-traded for other things before finally being consumed.

Some things have become money more often than other things. Pieces of gold have been money in many places for thousands of years. That's only because pieces of gold are popular. They can be melted and used as jewelry, they can be used in dentistry, and they have industrial uses.

Gold is not automatically money just because it has certain properties, and is relatively rare. (Nothing is *automatically* money

just because of the properties it might have, or because the government says it is money. <u>If it has not been *re*-traded, it is not money!)</u>

Any gold that becomes money only becomes money when it is *re*-traded. Gold only becomes money when it becomes the payment in more than one sales transaction. Gold only becomes money when its buying power is used more than once.

From having heard the story of money, and seeing that money can come into existence naturally through the trading activity of people, you can see that money can come into existence without banks, or government.

<u>Although banks can not exist without money, money can exist without banks.</u>

<u>Although modern governments can not exist without money, money can exist without governments.</u>

All that is required for there to be money, is that someone, anyone, re-*trades something. That something will then be money, for so long as it gets* re-*traded.*

*Any*one can *re*-trade something, so anyone can create money. *Any*one can ***make money***, literally.

To review:

1) Money is anything that is *re*-traded. Another way of saying this is that money is anything that is the payment in more than one trade or sale. Another way of saying this is that money is any form of buying power that is used more than once. (Buying power

comes in many different forms. It's anything of value that can be traded for something else.)

2) Money is made out of anything that is *re*-traded. It could be gold; it could be an orange; it could be cigarettes; it could be drugs; it *could* be fancy little pieces of paper printed by the government; it *could* be electronic signals stored in computers; it could be *DEBT*. (More on this later!)

3) Money comes from wherever things are *re*-traded.

4) Money is "born" when something is *re*-traded.

5) Money "dies" when something that *was* money is no longer *re*-traded.

Unofficial Money vs. Official Money

There are many kinds of money.

When oranges, tobacco, gold, silver, tea, and cigarettes, etc., become money when they are *re*-traded, they are "naturally occurring money."

Naturally occurring money is made when something that is real gets *re*-traded. It is made out of whatever the real thing is that gets *re*-traded. Naturally occurring money is easy to understand. If you've followed me so far in this book, you understand it.

There is also "invented money." Invented money is made when something purposely designed by humans to be *re*-traded, gets *re*-traded.

Invented money might be a piece of paper with "1 Peso" printed on it; it might be a gold coin with "100 dollars" stamped on it; it might be electronic signals bouncing around in a computer system.

Some other kinds of money are "unofficial money," and "official" money.

Unofficial money is money that has not been made by banks and is *not* "blessed" by governments.

Naturally occurring money is usually, these days, unofficial money. It is REAL money. It is GOOD money. It is just not official money.

Official money is money that is made by banks and has been "blessed" by governments. It has been declared, or decreed, by governments, to be "legal tender." This means, among other

things, that it must be used to pay taxes with. (If you are a hog farmer, you can't take 15 pigs to the capital to pay your taxes with, as could be done 1,000 years ago.)

Because official money has to be used to pay taxes with, just about everybody needs some. Where does official money come from?

Well, if cars come from car factories and televisions come from television factories, where do you suppose official money comes from? That's right! Official money factories.

Official money factories are known to most people as… ***BANKS.***

(Now, stay with me, here! I know that banks don't actually print the paper bills and mint the coins that get turned into money when people *re*-trade them. However: physical bills or notes and coins make up less than 5% of the money in a modern country. The figure has been estimated to be about 2%. The rest of the money, 98 or so per cent of the money in a modern country, IS created by banks, as will be explained, shortly.)

You will remember from the stories of money told earlier that 1) money is *any*thing that is *re*-traded, and 2) *every*thing that is *re*-traded is money. What the modern world *re*-trades most often, in other words, what the modern world uses most often as money, is *bank credit.*

To understand what *bank credit* is, how it is used as money, and why it shouldn't be used as money, we need to have a quick look at the story of banking.

The Story of Banking

You will remember that money is anything that is *re*-traded. In days gone by, gold was often *re*-traded because it was sought after for jewelry, etc. Gold often became money.

Goldsmiths often stored, in their secure safes, gold for clients. The goldsmiths would give out receipts for the gold that was being held in storage.

It was easier to carry paper receipts for gold than it was to carry around the actual gold itself. Receipts for gold held in storage were often *re*-traded in payment for things, and so, became money.

The people actually holding the gold -- the goldsmiths -- noticed that very few people owning receipts for gold ever came in to pick up the actual gold itself.

Some of the goldsmiths began to dishonestly create extra receipts, for gold that didn't really exist.

Because few people ever came in for real gold, no one noticed if the town's goldsmith, who actually stored only 100 gold coins, created 110 receipts for gold coins.

The goldsmith could then buy things for himself with the fraudulent receipts, just as if there was actual gold for each of them. Similarly, he could loan the extra 10 receipts just as if there was a real gold coin in storage for each of the extra receipts. By doing so, he could earn interest on gold that he didn't actually have.

A goldsmith who dishonestly created 10 extra gold receipts, for which there was no gold, was really *making money* out of thin air.

He was ***making money*** *out of nothing*.

The extra receipts were *re*-traded, and so became money just like the receipts that really did represent actual gold. The extra receipts were *fraudulent*, or dishonest, but only the goldsmith knew.

Goldsmiths who created money out of nothing were among the first ***bankers.*** The definition of banking is: the creation of money out of nothing.

The Bank of England began as follows. In the 1600s a group of men loaned the King of England some gold on the condition that he would make it legal for them to give receipts, for the gold they had given him, to other people. His permission for them to issue the fraudulent receipts allowed them to create money out of nothing- out of thin air.

Banks are still *making money* out of thin air today. Here is how they do it now, when things like gold, cigarettes and oranges don't become money very often anymore.

The governments of most countries in the world have made it legal for large, secretive organizations called *central banks* or, in some cases, *federal reserves,* to create money out of nothing.

First, the government creates a "debenture," which is a fancy kind of I.O.U. It is an obligation to pay, to the owner of the debenture, a certain amount of money on a specified date, with a promise to pay interest on that amount until the money is paid. Then the debenture is sold to the central bank for the amount of money stated on the debenture.

When the government sells the debenture it is in reality taking out a loan for the amount of money stated on the debenture. The bank, by buying the debenture, is extending a loan to the government,

and will get paid interest on the amount of the debenture until the government pays it back.

All this sounds fine, except that the central bank ***creates*** the money that it uses to buy the debenture.

The government has made it legal for the central bank to consider the government I.O.U. an asset. In exchange for this "asset," the bank creates a credit in the government's account for the same amount as the debenture, by tapping a few keys on the keyboard of a computer. Now, the government has an additional amount of "money," equal to the amount stated on the I.O.U. it "sold" to the bank.

Central banks create money, out of thin air, by tapping on computer-keyboard keys.

When you or I buy government debentures, which are sometimes called "bonds," but are really debentures, we have to do it with pre-existing money that we've earned. But central banks just create, out of thin air, the money to buy debentures.

Sometimes, central banks will create money out of thin air to buy the debt obligations of organizations other than federal governments. When they do so, they call it "quantitative easing."

(Hmmmm… I wonder why they don't just call it "making money out of thin air? Would that be tipping their hand?!!!)

After central bank-made money has been created, it gets *re*-traded throughout society. Some of it gets put into accounts in regular, *non-central*, commercial banks, like the one down the street that you deal with. There, it can legally be considered to be "reserves."

Non-central commercial banks have been given the right, by

government, to create money, out of thin air, in relation to the "reserves" they hold.

Here's how they do that:

Let's say that the commercial bank that you go to has a reserve of $10.00. The bank may now, legally, create new money equal to a certain percentage of that $10. Let's say that that percentage, in your country, is 90%. The bank may then create new money equal to 90% of its reserve of $10. That is, $9.

How is the money created? When someone else comes into the bank for a loan, the bank looks and sees that it has a "reserve" of $10.00. Perhaps the reserve is in YOUR account.

(Let's say that you work for the government, it paid you $10.00 -- money it got from the central bank -- and you deposited the money into your account in the commercial bank. That money is, legally, a "reserve" for the commercial bank.)

Here, you have $10 in your account, $10 that the government allows the commercial bank to consider "reserves."

Your bank, in order to make the loan, merely sets up an account for the person taking out the loan and makes a computer entry into that new account, for $9. (90% of the $10 "reserve" in your account.)

You may have given the bank $10 in cash, but the bank won't give cash to the person taking out the loan. It will simply create an account for him or her and have a computer show that there is the $9 in it.

Now, the banks say that by lending only $9 based on the $10 in your account, that they are keeping $1 in "reserve." A $1 reserve

based on your $10 account would be a 10% reserve. But in reality, there is NO reserve.

If you were to look at your bank statement, it would still show $10. The borrower's bank statement would show $9. If you asked for your $10 in cash *at the same time* as the borrower asked for $9 in cash, the bank would NOT be able to give both of you the cash. The borrower's $9 plus your $10 adds up to $19, but the bank only has your $10 in cash.

(Have you ever gotten a letter from your bank saying that they are taking money out of your account to loan to someone else? No. They just use the money in your account as a basis from which to calculate how much money they can create out of thin air by creating loans to someone else.)

(Kinda like when a goldsmith of old figured that if he had 100 ounces of gold in storage for other people, he could probably get away with creating 10 extra receipts for which there was no gold.)

The borrower's $9 has been created out of thin air and exists only as electronic signals in a computer. (Before computers, money that banks created out of thin air existed as entries in ledgers, especially in ledgers that were named "checking accounts.") Not only that, but because the $9 was created by the bank as a loan, ***IT IS DEBT!*** That loan is a ***debt*** to the borrower.

(It is *credit* to the *bank* because the borrower now owes money *to the bank*. This is why loans are called "bank credit." ***Bank credit is what most of the world uses as money!***)

(Less than 5% of all money consists of bills, usually printed by Central Banks, and coins, usually minted by government mints.)

Now, see what happens when the first borrower, let's call her Sally, writes a check for $9 to Tom. Tom takes the check to his bank, and may deposit the $9 into his account there. His bank can use this $9 as "reserves" and create new money equal to 90% of the $9, or $8.10, by creating a loan to someone else for the $8.10.

You can see that your and Sally's bank, together with Tom's bank, have turned your original $10 into $27.10 ($10+$9+$8.10) by creating loans equal to 90% of the "reserves" that they say they have, but don't really.

Notice that the loan of $8.10 could become the "reserve" for a loan of $7.29; the $7.29 could become another $6.56, and so on, and so on. In this way, *less than 5% of the money in most countries is cash. The rest is just numbers in computers, flipping back and forth from one account to another, to pay for things like mortgages, utilities, taxes, rent, groceries, etc.*

If your friend wanted you to lend him a lawnmower, you would have to have a real lawnmower in order to lend it to him. Banks, however, do not have to have money to lend money. They *create* it by merely making, in computers, electronic book keeping entries.

Now you know that most of the money in modern societies is made out of thin air by banks. First, central banks create money out of thin air to buy debentures and other such financial contracts. This allows the central bank to earn interest on money they have made out of nothing. The central bank, by this operation, loans money into existence. Second, central bank-created money gets into commercial banks where is used as a basis upon which the commercial banks create yet more money out of thin air, by loaning it into existence.

Remember, because cash and coins make up less than 5% of all money, <u>most of the money that exists, exists as **DEBT to someone**</u>

because it came into existence when banks created it by loaning it to borrowers. Most money is debt-money, debt being *re*-traded; that is, most money is made out of debt.

What happens when a debt is repaid, or is written off? If you pay a debt, the debt doesn't exist any more! Also, if a lender says to a borrower, "Forget about the loan, I know you'll never repay it," then that debt is gone, too.

<u>If money is made out debt, and the debt is paid off or written off as a loss, that money will disappears as surely as a toy weiner-dog made out of inflated balloons will disappear if the balloons are burst.</u>

When too much money disappears, it becomes difficult for people to buy the things they want and need. Economic activity slows. Jobs get scarce. People suffer.

The bankers in a society experiencing disappearing money will then try to get people to take out more loans, so that debt can be created, to be used as money. For example, in late 2010, Japan was in the situation where not enough people were taking out loans and going into debt -- debt that could be used as money. The money supply was getting smaller to the point that the economy was suffering. The central bank in Japan lowered interest rates to 0% to encourage people to <u>take out loans</u> to <u>create DEBT</u> that could be <u>used as money</u>.

If people won't take out loans, then immigrants, who *will* take out loans, have to be brought into the society.

If neither of these things can be made to happen, then the banks can always get their buddies in government, who enable them to perpetrate the debt-money on society, to take out loans to finance projects.

If the people won't stand for the government taking out loans for projects, then the government will have to start a war. War creates a huge demand for borrowing, and the people will always support government borrowing to "defeat the enemy."

If most of the money in a society is made out of debt, borrowing is necessary for there to be money. That is why politicians in such a society will always call for "growth," although the physical environment can't support it -- or for war. Growth and war generate borrowing!

In any and in all of these scenarios, the banks will be earn interest on money that they have created out of thin air!

The people of the world deserve to be at liberty to use something other than ***debt*** (*bank credit*) as money. After all, money can exist without banks, as we saw earlier.

Governments that force people to use money made out of debt need to be changed. After all, money can exist without governments, as we saw earlier.

(Why do governments force people to use money made out of debt?

Well now… let's see… the ability to legally make, out of thin air, a kind of money that steals buying power from almost everyone in a country, as will be shown in detail later, would be a profitable AND POWERFUL thing to have. Bankers have it!

Do you think that if you owned control of a nation's money supply, you might want to keep it? Do you think that if you had this

tremendous power, as bankers do, you could find a way, or several ways, to get self-serving politicians to leave that power in your hands?)

That the money you work so hard for, perhaps in unpleasant or even dangerous conditions, is made, by banks, out of DEBT, which they create by lending thin air, should enrage you!

Why Bank Credit is Not Good Money (for Anyone Other Than Bankers)

Remember, *bank credit* is official money only because the government says that it is. It is only valuable because the government says that everyone must pay taxes with it. Because of this artificial value, people *re*-trade *bank credit* and that's how it becomes money, and stays money.

Bank credit is REAL money, because it is *re*-traded. BUT, it is NOT good money. It matters - a lot - what money is made of. Here are reasons that *bank credit* -- money made out of debt made out of thin air -- IS NOT GOOD MONEY:

1) *Bank credit* comes from **loaning money into existence out of thin air** which creates a credit to the bank but which is ***DEBT*** for the people or organizations who take out the loans.

If 95% of the money in a country is credit to the banks, then 95% of the money in that country ***IS DEBT*** to people other than bankers.

As of November 20, 2010, the total debt of all of the governments in the world, that is, debt that governments have taken on, in the name of their citizens, in other words, debt that governments have hung around the necks of their citizens, for their citizens to pay interest on, and try to repay, was over 40 TRILLION American dollars. That's over $6,000 of debt for every man, woman and child on the face of the globe- over $24,000 of debt for every family of four!

(Fat chance that anything more than the interest on this debt will ever be paid! But that's okay, from banker's points of view.

They're making interest on money that they made out of thin air, by loaning it into existence!)

Ladies and gentlemen, boys and girls: this massive amount of debt, which does not include the debt of private individuals like you and I, is NOT the product of capitalism. (A Bushman in Africa is engaged in capitalism when he uses *capital* -- his bow and arrows -- to make his hunting more productive than it would be were he to use his bare hands only. A lady knitting in North Korea is engaged in capitalism when she uses *capital* -- her knitting needles and yarn -- to be productive.) No, the debt whereof we speak is the product of *criminal fraud made legal.*

All of that **debt** has interest charges that must be paid. It has been estimated that because most countries use bank credit for money, 50% of the cost of everything goes to paying interest charges for the loans that create the money used to buy things!

Bank credit hurts everyone except bank owners and governments, by putting them into **debt** and/or **increasing the cost of everything** they buy.

YOU ARE BEING ROBBED OF BUYING POWER BY BEING FORCED TO USE BANK CREDIT (DEBT MADE OUT OF THIN AIR) AS MONEY!

2) When banks create money by loaning it into existence, they do not create the money with which to pay interest on the loan. This causes a shortage of money. Most people in most countries are always short of money!

3) When debts are either paid off, or written off as being a "bad debt," those debts simply *cease to exist*. When *bank credit* -- which is *borrower debt* -- is used as money, there must always be borrowing or there is **no money.** When debt is used as money, if

there is not sufficient borrowing, or if a lot of loans are written off (think: sub-prime mortgages in the United States starting around 2007) economic recessions or depressions occur. (Think: the recession/depression of 2008...)

4) The use of bank credit as money hurts the environment! The demand for loan activity -- for there to be any money at all -- is why the modern economic system needs growth, growth, growth… even though the environment can not stand human economic growth, growth, growth.

5) ***Making money*** out of debt made out of thin air causes either inflation (most often) or deflation (less often).

Inflation / Deflation

Most people think that inflation is the price of everything going up. But saying that is like saying a broken leg is when it hurts when you walk. It's only half the story. It's not even the most important part, because it's the symptom, not the cause.

Inflation is: money being added to a market faster than goods and services are added to that market. This *dilutes* the previous, existing supply of money. Inflation is: money dilution.

Let's look at inflation in detail, to understand it completely, and to see where the harm is in inflation.

Imagine a society having just a few people. This society uses gold coins as money. There are 10 gold coins in existence in this society. Each is pure, weighs exactly 1 oz., and is marked: "1 oz. pure gold."

Now, the only product that ever changes hands in this society is apples. This year, the entire crop of apples amounts to 10 apples.

10 coins divided by 10 apples = 1 coin per apple.

The *average* price per apple this year will be 1 coin.

Now, suppose that you belong to this society, and one day you discover gold while washing clothes in the creek. You take the nuggets home, refine them, and mint them into coins marked: "1 oz. pure gold." You manage to make 10 new coins.

Now, there are 20 gold coins in your society, whereas before there were only 10. The money supply in your society has been diluted with respect to the supply of goods and services. There are still

only 10 apples in your society. Therefore, the average price per apple will now be 2 coins. (20 coins divided by 10 apples = 2 coins per apple.)

Before you added 10 coins to your society's money supply, the buying power of one gold coin was 1 apple. After you doubled the amount of coins, it took 2 gold coins to buy one apple. The buying power of one gold coin dropped to ½ an apple.

Inflation is the dilution of a money supply by the addition of new money, and it makes all the units of money in that supply of money less valuable than before.

(In the United States, money has lost value, due to inflation, to the extent that it now takes a dollar to buy what 2 cents would have bought in 1913.)

YOU would love inflation. YOU caused it. Although apples now cost 2 coins each, because you have 10 coins, you can now buy 5 apples! (Your 10 coins divided by the price of 2 coins per apple = 5 apples.)

In this example, you caused inflation by adding an additional 10 gold coins to the market place while no additional apples were added. You didn't lie about the coins, or make coins out of lead, paint them a golden color and say they were gold. You were open and forthcoming about your new coins. But you benefited from the inflation by being able to buy half of the apples. Lucky you for finding the gold in the creek.

Prices of apples DID double, but that was a RESULT of there being TWICE as much money chasing the SAME amount of apples.

Price increase is not inflation. It is the result of inflation.

Price increases, DO, however, hurt the people who have not caused the inflation. The other people in your society now have, among themselves, only 5 apples to buy, and they will pay more for each apple.

If you were one of the other people, and had only 1 coin, you would now be able to buy only ½ of an apple, whereas before you would have been able to buy a whole apple. Inflation took away ½ of the buying power of your coin. That hurts!

Okay, we've learned that inflation helps those who create inflation. It hurts everyone else. What are some ways that inflation has been created?

The addition of more gold to a market happened in the 1500's when Spain brought, literally, tons of new gold from the new world back to Spain. Who benefited? The Spanish crown. It claimed the gold, and got to spend it first, and thereby caused the inflation. Other people in Spain, who were left with the same amount of gold that they had had before, suffered when prices went up *as a result of* the inflation caused by the addition of the new world gold to the Spanish economy.

Before the Spanish experience, inflation was caused in Rome by emperors who added money to the Roman money supply by melting gold coins and *literally* diluted the money by mixing in less valuable metals, such as silver, and then passing off the new, more numerous coins as being pure gold.

In the modern, "money from debt made out of thin air" era, bankers create inflation out of thin air. There's no limit to the amount of money that they can add to an existing supply of money.

I'm not a coin collector, but I couldn't resist buying an authentic Zimbabwean ONE HUNDRED ***TRILLION*** DOLLAR bill. Zimbabwe inflated/diluted its money so much that it became virtually useless.

Zimbabwe used to be called Rhodesia, and in those days was considered the bread basket of Africa. Now, in the time of one hundred trillion dollar bills, the economy of Zimbabwe is so bad that ordinary people are reduced to hunting mice to survive. But the inflation producers, instead of owning only some of a larger pie, now own all of a smaller pie. Their needs for power have been met, paid for by the suffering of everyone else. They used inflation to steal the pie from everyone else.

Inflation helps those who create it. It hurts everyone else.

Why hasn't inflation wrecked the economies of the western world?

Well, it did, in Germany in the 1930's. So much money was being added so rapidly to the German market that people who got paid in the morning would take the afternoon off to shop because by the next morning prices would be very, very much higher. Money became so diluted that it took a wheelbarrow of it to buy a loaf of bread. (They should have printed "one hundred TRILLION" mark bills, I guess!)

In the rest of the west, *continually increasing productivity* has had the effect of masking inflation. Let's go back to the coin and apple example I gave earlier. If you added 10 coins to the market, but some smart orchard owner was able to add an additional 10 apples to the market as well, so that the total number of coins (now 20) and apples (now 20) were equal, the price of each apple would remain at 1 coin per apple. The economy would not be wrecked.

HOWEVER, *you* would still benefit from adding coins to the money supply, and the rest of the people would still be hurt, as follows.

If the fruit farmer had added, because of increased productivity, his 10 apples, and you had NOT added another 10 coins, 1 coin would have bought 2 apples. (20 apples divided by 10 coins = 2 apples per coin) Anyone with a coin would have been able to buy 2 apples. But with you adding 10 coins, at the same time as the fruit farmer added 10 apples, 1 coin would continue to buy 1 apple. (20 apples divided by 20 coins = 1 apple per coin.) But you, with your 10 coins, would be able to buy ½ of the apples, leaving all of the other people to share only the other half of the apples.

Inflation helps those who create it. It hurts everyone else.

Now, what about the fruit farmer, who added 10 apples to the market? What about his reward for being more productive?

If nobody adds money to the market to represent the additional apples, he can't get any additional buying power to reward him for being productive.

If you, or anyone other than the fruit farmer adds money to the market, he won't get any additional buying power either. The party adding the money will gain buying power at the expense of all others, as we've seen.

THE PERSON ADDING PRODUCTIVITY MUST BE AT LIBERTY (OR BE AT LIBERTY TO HAVE AN AGENT) TO CREATE *POTENTIAL* MONEY THAT REPRESENTS HIS OR HER PRODUCTION, AND TO OFFER THAT *POTENTIAL* MONEY AS PAYMENT FOR OTHER PEOPLE'S GOODS AND SERVICES, IN ORDER TO BE (*POTENTIALLY*) REWARDED FOR BEING MORE PRODUCTIVE.

In this case, the fruit farmer must be free to print notes that say: “Will pay, on demand, to whoever holds this note, one apple, (signed, Joe Fruitfarmer)” The farmer must be free to try to buy things with these notes. (The notes are, like anything else, only *potential* money until they get *re*-traded.) (And if no one wants to give up anything for them, then the society does not value apples much, and the farmer has not truly been more productive after all.)

The notes, being “as good as apples,” would be probably be valuable, would probably get *re*-traded, and would probably become money! (If apples are in demand.)

The notes would add to the money supply, but would NOT be inflationary because they would only come into being as representatives of additional goods in the market.

When the notes were presented back to the farmer, he would redeem them with apples, and then destroy them, or keep them out of circulation. The money supply would be synchronized with the goods in the market place.

(Of course, if the farmer were to spend them back into circulation without having apples to redeem them with, he would be no better than the goldsmiths we talked about before, who created and circulated receipts for gold, without having the gold with which to redeem them.)

Now, we’ve gotten a little ahead of ourselves in talking about producers *making money* to represent their products (i.e. “*monetizing their production”).* However, at least, we can see that <u>if any agency adds money to a market without, themselves, adding production, THEY will gain in buying power at the expense of all others. ALL THE OTHERS will suffer the loss of buying power.</u>

That's the beauty of inflation- if you're a banker or a member of government. That's the hell of inflation - if you're not a banker, or a member of government.

(We got so far ahead of ourselves in talking about producers monetizing their products that we referenced my other book: Mega$cam. If you are interested in other solutions to inflation, please read, for free, online, Mega$cam at www.megascam.com or at www.libertybooks.net)

The other side of inflation is deflation. Deflation is: a shrinking money supply relative to the goods and services in a market. Money becomes scarce, and hard to get. People become excessively thrifty, and economic activity slows because there are fewer buyers who are willing, or able to part with their money.

As we've seen, when loans are either paid off, or written off, the debt that those loans represent disappears. If the debt is being *re*-traded and is therefore money, when the debt disappears it disappears as money also.

Debt-money disappears when debt disappears just like orange-money disappears when someone eats the orange; just like gold-money disappears when a shipment of gold is lost forever in a ship-wreck.

This is what happened in the United States beginning around 2007, when sub-prime mortgages began to be written off when the people taking out the mortgages defaulted on payments. The debt-money, that consisted of debt being *re*-traded, disappeared when the debt that the debt-money was made out of disappeared by being written off. This disappearance of massive amounts of money caused a recession.

Whether it causes inflation or deflation, money made out of debt made out of thin air is bad news. Its very creation causes someone to be in debt! This kind of money is *unsound money*!

Unsound Money vs. Sound Money

Money that is made out of debt made out of thin air is unsound money. I've used the term "unsound money" a few times already, so it might be a good idea to explain just what I mean by it. You might have guessed that I meant "money that isn't very good," but I mean something more specific than that.

All money dies eventually, that is, ceases to be *re*-traded. If nobody *re*-trades it any more, something that *was* money is no longer money, and has died as money.

Money can die in an acceptable fashion; in a way in which nobody gets hurt financially.

It can also die in an unacceptable fashion; in a way in which someone gets hurt financially.

Remember the story of money, where an orange was *re*-traded by several people, and thus became money. In that story, Vixxy ended up eating the orange. That ended that orange's career as money! The orange died as money.

But nobody got hurt! Vixxy gave up some eye-drops to get the orange, but she got the nutrition of the orange when she ate it. Everybody in the series of trades in which the orange's buying power was used more than once, got something for something.

The orange was *sound* money.

Now, compare the story of the orange with the story of a canteen claimed to be full of drinkable water. It was *re*-traded for several items in a series of trades carried out in the desert, by potentially thirsty people who valued drinkable water.

Finally, one of the people who had given up something of value to get the canteen full of liquid, decided to drink its contents, much as Vixxy had decided to eat the orange. But that person found out, in dismay, that the canteen was full of rotten camel's milk, a totally useless substance.

That person just got hurt financially. He or she had given up something of real value in exchange for value-less rotten camel's milk. In effect, he or she had gotten nothing for something. The rotten camel's milk died as money when it was discovered not to be drinkable water, because no one would give up anything for it, and it could no longer be *re*-traded.

The rotten camel's milk was *UNsound* money. It was real money, because it had been re-traded, but when it died as money the last person to give up something of value for it got hurt financially.

Unsound money is money that hurts people when it dies.

Inflationary money is unsound money because when it dies, it hurts people.

Inflationary money usually dies slowly. It usually gradually loses value, due to being diluted by the addition, to the money supply, of ever more inflationary money.

The inflation process can pick up speed and at times inflationary money dies quickly and loses value quickly due to massive additions to the money supply of more and more inflationary money.

If you had been born in 1913 in the United States and had been given a dollar which you had kept, you would find that, in 2010, that dollar would only buy what ***2 cents*** would have bought in 1913. In other words, the dollar that had been given to you was

98% dead, and YOU lost the 98 cents worth of buying power! You had been hurt, and the purchasing power you lost went to the government, to bankers, and to people who perhaps borrowed the dollar from you, only to pay you back with a diluted dollar that they didn't have to expend very much time or energy to obtain.

This treatment of inflation is not intended to be exhaustive. For a more thorough look at inflation, see my book Mega$cam, as mentioned above.

For now, just remember that unless you are the one causing inflation, inflation will hurt you. No if, ands or buts.

It matters - a lot - what money is made of. Money should never be made out of debt made out of thin air. And yet most of the money in the world is.

Most of the money in the world is made out of DEBT that banks create out of thin air, by loaning thin air to borrowers and calling it "pesos," "dollars," etc. in accounts that exist only in computers. This money is called "bank credit."

Bank credit is unsound money. It hurts everyone except bankers and their government goons.

Store-Bought / Ready-Made Money vs. Home-Made Money

Not so long ago, people made, at home, most of the things they used. It used to be a Do-It-Yourself (DIY) world!

Clothes and food were made at home. Meals were made at home. Tools were made at home. These things were called "home-made."

Gradually, more and more things became purchased in stores. These items were called "store-bought," or "ready-made." For example, you could buy a shirt, already made, in a store, instead of making the cloth and then sewing the cloth into a shirt yourself.

Now, it's probable that most people would think that the government would be unjust if it made a law making it illegal to make cloth and shirts at home, thereby forcing you to buy ready - made shirts at a store. After all, if you can make it yourself, and want to, why shouldn't you be at liberty to do so?

The same reasoning applies to money. Bank credit is "ready-made," "store-bought" money. In contrast to bank credit money, you can make "home-made" money just by *re*-trading something. Why shouldn't you be at liberty to do so?

And why shouldn't you be free to offer anything as payment for anything? If your payment offer is accepted, and gets *re*-traded, it will become money. Is this any of the government's business? Not unless *everything* is the government's business!

Any law hindering the use of home-made money, and requiring you to use bank credit money, is UNJUST.

Legal tender laws hinder home-made money. They do not necessarily make it illegal to produce home-made money, but they hinder it in other ways.

Say that you and 100 other people start a local money system and produce potential money that is not debt made out of thin air. The 101 of you trade between yourselves, using your DIY money. Your government will most likely say that the lot of you have gained income by such trading, and tax all of you upon that income. The government will then force all of you to pay the taxes with official money. The necessity of having to get some official money to pay the taxes with will kill your local money initiative, because all of you will have to revert to the use of official money to get some to pay taxes with.

Earlier, I briefly mentioned *potential money*. The concept of potential money is very important. Let's explore it further now.

"Potential" means "maybe." If a rock is sitting up at the top of a hill, maybe it will roll down and have energy that can flatten anything in its way. So we say that it has potential energy, because it is in a place from which maybe it will start rolling downhill.

*Any*thing *could* conceivably be *re*-traded, so *every*thing is *potential* money because it might become real money by being *re*-traded. Why shouldn't everyone be at liberty to offer anything they want as payment for things? At first, whatever they were offering would only be potential money. If it were accepted as payment, and if, it then got *re*-traded, it would be money.

*Every*thing is only potential money until it gets *re*-traded. Even official money is only potential money until it gets *re*-traded. Even the numbers that central banks pull out of thin air and put into government accounts to "pay" for government debentures are only potential money until they get *re*-traded.

The reason bank credit gets to become official money is because governments require people to pay taxes with it. Therefore, it becomes a needed item, and therefore valuable, and therefore it gets *re*-traded and therefore becomes money.

Bank credit is official money because the government recognizes only it as money.

Why does the government recognized only bank credit as money? Is the government (YOUR government, just about in any country that you may be living in!) in the control of bank owners who get the government to enforce their nifty little "profit from thin air" operation?

Why would any government that is truly sovereign not just issue its own potential money, instead making everyone use bank credit as money, and en-FORCE-ing, for banks (private corporations), a monopoly on the creation of potential money ?

I ask you again… is your government in the control of bankers? Really powerful international big shots who pull the strings from behind the scenes?

(I'm not talking about the tellers at your local bank! It's probable that you now know more about money and banking than your local bank manager knows. When I say "bankers," I mean the those who control the money supply of nations!)

Solutions to Being Ripped Off by Being Forced to Use Bank Credit as Money

First, understand that, if human rights exist at all, then it is a basic human right to not be intentionally injured by others. (Except, *perhaps*, as a bona fide punishment for actual criminal behavior, imposed by a bona fide justice dispensing body.) It follows, then, that it is your human right to not be forced to consume or use a substance or a thing that is designed to hurt you when you consume or use it.

If it is *your human right* to not have to sleep on a bed of nails, then it is *your human right* to not have to use money that is designed to hurt you by robbing you of buying power. I.e. bank credit-money.

Money that is designed to help those who create it and hurt everyone else is RIP-OFF MONEY.

It is your human right to not be forced to use rip-off money! It is your human right to choose, without any kind of force being applied to you, the money that you accept in payment for goods and services that you give up in exchange for that payment.

It is your human right to make anything into money by *re*-trading it.

IT IS YOUR HUMAN RIGHT TO OFFER ANYTHING AS PAYMENT FOR THINGS THAT YOU SEEK TO ACQUIRE, WITHOUT THE PERSON TO WHOM YOU ARE MAKING YOUR OFFER BEING FORCED,DIRECTLY, OR INDIRECTLY BY LEGAL TENDER LAWS, BY ANYONE OR ANY AGENCY, TO ACCEPT ONLY CERTAIN THINGS AS PAYMENT FOR HIS OR HER GOODS AND/OR SERVICES.

Phew! From what we've learned, we can see that:

1) *Individuals* have the right to offer anything as payment for things, and individuals have the right to accept anything as payment for things. Obviously, *individuals*, in offering and accepting various things as payments, might end up *re*-trading almost anything, and making it into money. It is the right of *individuals* to make anything into money. *Individuals* can create sound money, and individually made sound money is one solution to rip-off money!

Individuals like Warren Buffet or Bill Gates might be able to create potential money that would be widely *re*-traded. They might offer coupons redeemable in products that would be *re*-traded, or they might acquire vast amounts of some commodity, like oil, for which they could create redeemable notes that would *re*-traded.

Realistically, however, the potential money that could be offered by most *individuals* probably would not be widely *re*-traded. Therefore,

2) It is more likely that *groups/organizations* could offer potential money that would be widely *re*-traded. *Church groups* could create potential money that would be *re*-traded at least as widely as the *group* itself.

Local groups could create potential money for the express purpose of keeping buying power in local hands.

Other *groups* could, for the purpose of demonstrating that unofficial, but sound money, is better than unsound, but official money, AND for the purpose of **REPLACING RIP-OFF MONEY**, create potential money that could become viably *re*-tradable money.

If any *group* was substantial enough, its potential money would get *re*-traded, perhaps widely. For example, *Unions* could monetize the labor, or production of their members, and create potential money that would be widely *re*-traded.

3) *Companies* could create potential money based on their products, and such money would be *re*-traded if people understood its value.

4) *Lower-than-federal-level governments* could create potential money that would get *re*-traded. For instance, the Canadian *province* of Alberta could issue notes redeemable in oil, of which it has several billion barrels. Because oil is in demand, those notes would get *re*-traded.

5) *Federal governments* could create potential money that was not rip-off money, IF THEY WANTED TO, and IF THEY WERE NOT CONTROLLED BY BANKERS. There are several ways they could do this. The several ways are explained, in detail, in my book Mega$cam, which is available for reading, for free, online, at www.megascam.com

The ways that individuals, groups/organizations, companies, and lower-than-federal-level governments could create potential money that would get *re*-traded, and ***replace rip-off money*** are also explained, in detail, in Mega$cam. Go to www.megascam.com and read them for free.

If you are tired of being ripped off and sinking ever deeper into a personally tiring, ever more demanding economic situation, you need to get busy starting to ***REPLACE RIP-OFF MONEY*** with the alternatives listed above.

Many good and well-intentioned people believe that if only the people of the world would elect honest federal politicians, then

those politicians would outlaw rip-off money and bring in sound money, under federal government auspices. Might happen.

The alternative to looking for honest politicians is ***REPLACING*** rip-off money with better alternatives. That ***will*** get rid of rip-off money, like CDs got rid of vinyl.

When people see something that is an improvement, they go for it. People need to learn:

1) That it matters - a lot - what money is made of,
2) That they are being ripped off by being forced to use money that is purposely designed as a weapon to steal buying power from them,
3) That there are several alternatives to having to use that rip-off money, and
4) That it is their fundamental human right to use those alternatives.

People need to **REPLACE RIP-OFF MONEY** with better alternatives, and rip-off money will die out.

When *everyone* is in on the act of ***making money***, then the makers of rip-off money will be out of business!

Now, please go to www.megascam.com to become further educated about money and alternatives to rip-off money. Begin doing your part to ***REPLACE RIP-OFF MONEY!***

--------….--------