

Money Talking by Richard Glover

If money could talk, what would it tell us about today's financial woes?



WE ALL KNOW SOMETHING about money, and yet a shroud of mystery keeps its magic hidden. But without understanding it, how can we ensure justice can prevail in its provision and use? Three propositions are offered here in the hope of bringing more clarity to the subject, even though they do not have obvious relevance.



Can Money Touch the Heart?

Today's obsession with money and finance seems to obscure the truly valuable aspects of life. How can we price those precious moments that bring meaning to our lives. The loving family relationships in the home; the sense of quiet satisfaction after a good meal; the delights of good sport; the contentment of just sitting on the seashore with sunshine, gentle breeze and sounds of waves and birds; the uplift in spirit from considering deeper aspects of life; the comradeship and loyalty of good company; the sense of achievement from working with others in overcoming challenges; the satisfaction from a good day's work.

In such ways the heart is touched and we are most nourished. Although the price for beach access may be determined, the human experience that follows cannot. Whether sitting on the beach freely or under license, no money can buy true contentment; it is priceless.

Three Propositions

"Priceless things are to be respected" is the first proposition. This helps constrain the realm of money to those things which can be bought and sold, but more significantly helps us value those things which are given freely by nature or by fellow human beings.

One of nature's laws is borrowed for the second proposition; "sowing comes before reaping". This has wide reaching consequences for our understanding of investment, credit and debt. It is not money that creates new capital in the form of facilities and infrastructure, but it is cooperative human ingenuity and effort; all those things we enjoy are the result of human work and nature's free provision.

Our efforts and rewards are placed in context with the third proposition; "the whole is greater than the sum of parts". In cooperative effort, individual aptitudes, abilities and contributions combine to create something that would be impossible through individual efforts in

isolation. A subsistence existence would prevail if each had to grow their own family's food and create their own clothing and shelter. This reminder also encourages greater appreciation of the whole and discourages activities leading to individual gain at the expense of others.

Trusting Money

So now we turn to money itself and the simplicity of everyday exchanges. Imagine.... A £10 note is found on the floor of a pub. The manager picks it up and uses it to buy bread; the baker uses it to buy fish, the fishmonger to pay a newspaper bill. The newsagent uses it to book a restaurant table and the restaurant owner uses it for a pub lunch.

This £10 came from nowhere and yet facilitated all of these exchanges. Each participant was happy to accept it in exchange for what they had given, trusting that anyone else in the community would do likewise; each trusted that the community could offer something more valuable than what they already had. Everyone gains; the community thrives.

This gives several clues about the use of money, but how does it enter and exit the community's money supply? Where did that £10 note come from? Imagine some more.... Soon afterwards, a regular customer rushed into the pub anxiously asking if a £10 note had been found earlier. By coincidence and unknown to anyone, the manager handed





The Bank of England building reflects the importance that the community feels about the part money plays. The picture below of the interior shows how this sentiment continues.

over same note previously found on the pub floor. The regular carefully examined it, holding it up to the light. Then with a sigh of relief, he tore it into pieces and threw it away. He then explained that his mislaid £10 note was a fake!

And yet that note had worked its magic, appearing “out of thin air”, having no intrinsic value yet sprinkling trust through the community, and then disappearing when no longer needed.

We examine the aspects of trust now and return to money creation later.

Money obviously relates to trust. With total trust prevailing, as exemplified in family life, then money is not necessary; the same transfers of goods and services could occur in our small community through simply giving to those in need. With no trust in the community, neither money nor any form of barter or any form of cooperative endeavour is possible. So money can only work where there is trust and only needs to where there is perhaps a measure of distrust.

Those Inseparable Twins

Most exchanges have a period of being half-completed, with the concluding half to follow later; trust enters here as those inseparable twins of credit and debt. The creditor trusts the debt will be settled and the debtor trusts the credit can be satisfied. Although the terms creditor, debtor and especially debt are often darkly coloured by today’s injustices, their essential simplicity and foundation in trust can still be appreciated in everyday simple transactions.

After the manager hands £10 to the baker for bread their trading relationship ends with both feeling better for it and free of any lingering credit-debt relationship between them. However, the baker has given her efforts as bread and she needs sustenance and nourishment in return. All she has is a £10 note; this token signifies the outstanding credit-debt relationship between her and the community and this is ultimately only satisfied with fish. Hence the £10 note in her hand signifies both

the value of what she had given and the value of what she is yet to receive. Her service to one person is rewarded with service from any person through the community’s general trust in money.

Yet money remains a medium of exchange and what has greater value is our contribution to the community and the sustenance and nourishment we receive from the community. The range of possibilities here is vast. Our contribution may be functional and the least we can get away with; but then it could be the very finest service or creativity we can achieve. What we receive may fill the stomach, or it could satisfy our tastes in ways beyond our normal experience. Our contribution and nourishment is essential; their finest aspects are beyond price, in fact priceless. Money is extremely useful in helping this happen, but remains the medium of exchange.

Creating Money Loans

Let us consider the small matter of loans in another community in a series of four exchanges.

1 - Joe works and is paid; his handful of money represents the credit given to the community in general and also the community’s debt for Joe’s sustenance and nourishment.

2 - Loaning Mary the money introduces a new relationship. The community still

owes the goods and will exchange them with the money holder; Joe is still owed goods but now Mary owes him the money.

3 - Mary buys and enjoys the goods. Mary and Joe remain in a credit-debt relationship between them but have no money. However, the rest of the community is debt free.

4 - Mary has to work to benefit someone in the community and get paid. She repays Joe who can buy the things he wants. All credit-debt relationships have now ceased.

As a community, sowing necessarily comes before reaping. Mary’s apparent reaping before sowing is only possible because the community has already sown.



A gold bullion area within the Bank of England.

Creating Money

Now to consider how much money the community needs and how it is created.

Our first community could manage with just £10 if those sequential exchanges were acceptable. With £10 each, transactions would be freer and life easier. With £100 each, prices rise and no further advantage is gained. It is also worth remembering that where sufficient trust prevails no money is needed at all.

Perhaps it is now obvious that there can be no fixed relationship between the amount of money circulating and the level of economic activity. However, some general tendencies can be observed: The more trust, the less money needed; excess money encourages inflation and a lack, deflation; rising economic activity and especially



greater financial activity both tend to need more money.

Very little of our money is visible or can be held in hand. Virtually all money exists as electronic records in the community's banking system. For the UK's total money supply (M4Lx - as defined by the Bank of England), approximately 3% (£62.5bn) is cash and coin. Some 89% is created and held by commercial

and interest; excessive rates alongside excessive bonuses are today's news but ancient scriptural authorities also question this.

Money works due to its ready acceptance in the community; it is the community's trust rather than the bank's provision that powers it. Banks do provide real service and incur real costs in providing the community's money supply

and its associated payments system. Hence there is a justification for a charge, but can today's charges be justified?

Trouble certainly follows where human beings claim to own the essential factors for life such as aspects of nature. Land is an obvious example; a little is owned by the community, but all the rest in the developed world is privately owned. We have no choice but to put our feet on the ground; for human beings earth's surface is priceless. Such owners can

exercise their property right and make a charge. The amount is limited by the ability to pay and the ability to maintain law and order.

Such property rights are seen as valuable assets yielding certain income. Banks are confident in creating new money to buy them, and this elevates their price and in turn rents. More money exists but the rising rents, mortgage payments and other debt charges reduce household money for real goods and services. It is the financial world that sees this incoming flood of money; vastly in excess of the needs for goods and services, it is used to gain ever more control of the economy through acquisition of various forms of property right.

Propositions and Henry George

So have those propositions helped? And can Henry George have the last word?

Priceless things are to be respected. Nature provides freely and yet is irreplaceable. Life, human joy, and expressions of artistic beauty are all priceless and yet available to all if we allow them to be.

Our use of money can help this happen, but money without our trust is useless. This trust is truly priceless.

Sowing comes before reaping. Nature's provision is the result of billions of years of evolution; human provision through traditions and both social and physical infrastructure is the result of the efforts of countless predecessors. Today's provision of money can facilitate today's efforts and provision; it cannot be saved for tomorrow.

The whole is greater than the sum of parts. Nature embraces each one of us and we share our humanity with those of yesterday, today and tomorrow. Our variety of talents and tastes provide everything necessary to provide for everyone. Through our trust in a greater who, money helps us cooperate through our individual contributions to meet countless individual needs.

The free gifts of nature

Henry George presented a beautiful (and priceless) analysis of value, wealth creation and obligation in his *Science of Political Economy*. All goods and services in the community are created through human effort on the free gifts of nature; this has nothing to do with money but money is very helpful. Through enforced obligation it is possible for some in the community to receive more than they contribute; the enforcements are through forms of property right and the receipts are conveniently paid with money. Provisioning the community money supply itself has become a property right of considerable value.

Talking Money

It is easy to observe flows of money in the communities and the world with increasing disparity of both asset ownership and money income. What is less easy to observe are the underlying causes of this all too persistent tendency. This is partly due to misunderstanding the essential simple nature of money itself. More clarity about money may lead to us hearing what these money concentrations and flows are telling us about the underlying web of property rights and their effect. Let us hear what money is telling us about things unseen.

Greed is good. Greed is right, greed works. Greed clarifies, cuts through, and captures the essence of the evolutionary spirit

Gordon Gekko, played by Michael Douglas (above) in the film *Wall Street*, 1987

We have to accept that inequality is a way of achieving greater opportunity and prosperity for all

Lord Griffiths, vice chairman of Goldman Sachs, 2009

banks such as HSBC, RBS, Barclays etc and is used for most exchanges. About 8% was created by our central bank, the Bank of England, mainly through the recent quantitative easing programme.

Commercial banks have created most of our money through individual loans, mainly through mortgages. Where overdraft facilities are granted, the money is created on spending (drawing-down).

Each loan is based on the borrower's promise to repay the money from future earnings. These promises give the banks the power to create money. The money supply is the aggregate of all past loans and draw-downs, less all past repayments. The balance of new loans to repayments determines its increase or otherwise. Often described as being "created out of thin air", it can be more helpful to see money as being created out of the borrower's undertaking to repay.

Seats of Injustice

And now we have to consider the seat of injustices we can observe and experience all around us. Banks charge fees