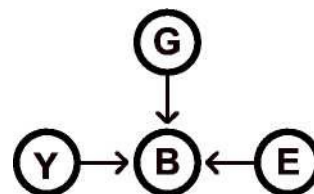


If you advance money to any poor man amongst my people, you are not to act like a moneylender; you must not extract interest from him. Exodus 22.25

Debt economy

CB = central bank. B = banks. G = government.

Y = you. E = enterprise



FLOW OF INTEREST

1. No money exists
2. The bank lends you money (!)
3. You pay the money back plus interest
4. Bank calls your debt a 'Financial Asset'
5. Bank gambles with your interest and FAs
6. Bank 'money' = 3 times real enterprise
7. The economy falters or collapses

"The modern banking system manufactures money out of nothing," said Lord Josiah Stamp, former director of the Bank of England, in 1937, "the process is perhaps the most astounding piece of sleight of hand that was ever invented."

Go into a bank or building society and agree a mortgage. Buy a flat. You are in debt. The vendor spends some herself and puts most in another bank. Her bank lends the money and charges interest. The money goes round banks and debts increase to over ten times your mortgage. Banks charge interest on it all. Wow! This is a profitable business. Astonishingly, even the money the government borrows (Public Sector Net Cash Requirement) is created in this way!

In recent years, many banks called your mortgage debt a 'financial asset' and sold it. Two advantages: they did not suffer if you failed to repay, and it gave them even more money

to lend or speculate on company shares and national currencies. Their paper profits grew to over three times the 'real' economy. They awarded themselves ludicrous salaries and bonuses. The financial sector was living in a parallel universe until people demanded their money. But the bank can't pay because its assets are largely debt. The bank collapses or is bailed out by the government. Alternatively the position is corrected by war or revolution.

The government refuses to acknowledge the need for monetary reform; it is desperate to get back to the *status quo ante*.