This article is by Paul Grignon, the creator of the Money as Debt Trilogy of animated features. Paul's Money as Debt movies have gone viral in the online video world exposing the fraudulent nature and mathematically dysfunctional design of our modern debt-money system to millions of people around the world in at least 24 languages. Visit **moneyasdebt.net** for DVDs, articles, Reviews and References, and translated versions online.

Money and Politics: Incorrect Diagnosis, Wrong Cure

by Paul Grignon

http://paulgrignon.netfirms.com/MoneyasDebt/Incorrect_Diagnosis.pdf

Lately, thanks to the accelerating descent of Western finance and politics into hopeless debt and brazen kleptocracy, many people are now urgently calling for fundamental reform of both finance and politics. Often the more radical calls are for the *abolition of interest* or even of *money* altogether, and an increase in "democracy", rule by the people.

But ignorant, careless people will most likely continue to make ignorant, careless decisions, however democratically. Isn't that how we got here, with our backs to extinction? How smart do you have to be to understand that limited resources run out? Smarter than humans have been, apparently. More democracy *alone* could never be the solution. Intelligent decision-making in the long-term best interests of life on this planet is what we really want isn't it?

And, if society is not *self-organizing* on the basis of free initiative and fair exchange using some form of "money", how will the enormous complexity of economic exchanges necessary to our survival be organized? The "gifting economy" is a wonderful thing and has always been with us. But even within the gifting economy of a large family, siblings will keep score of "chore credits" and trade or purchase with them like "time-dollar" money. Exchange economies have always included, encouraged, and very much depended upon the gifting economies (like parenting) they partner with. But those promoting gifting as the necessary evolutionary reform seem to want to eliminate "fair exchange". If there is no fair exchange, how can I *earn* what I want? I can't. *Someone will decide what I can have.* Maybe a computer will make that decision.

<u>Interest is NOT an Insoluble Math Problem</u>

As for interest, many people are obsessed with a non-existent math problem while being completely unaware of the real math problem. Interest is paid in a series of payments and is *not extinguished* when paid. A single dollar paid 100 times can pay off $100 of interest debt. If interest paid in is spent back out into circulation by the lender, it is mathematically available to be earned and paid again. If the lender invests the interest in equity it will likewise be spent and become mathematically available to be earned. Only if the interest is *lent again as new Principal* do *real* mathematical problems appear, because now that dollar created as one debt is only available as a *second debt* of the SAME money.

Interest being unpayable is a sociological problem (is it available to YOU to be earned?) *NOT a mathematical one.* A single dollar of interest recycled ad infinitum can theoretically pay off an *infinite* amount of interest debt. Far from causing an inevitable mathematical shortage, interest paid in installments and spent back into circulation can *never* cause a mathematical shortage. But this is not the case with Principal. A single dollar of Principal can only pay off a single dollar of Principal debt. Over the average lifetime of a bank money-creation loan, the same dollar of Principal can be lent *several times* as *existing money*, creating several debts of the SAME Principal. You cannot pay off $100 of Principal debt with anything less than $100. And *Principal is never spent*. It is LENT, *by definition.*

The two links below lead to my illustrated logical proofs that the root of the “growth imperative” most critics ascribe to an imaginary arithmetic problem with interest (P < P+I) is actually the result of every dollar of Principal that is NOT available to be earned *on time* to pay off the loan that created it. (P owed < P available to be earned *on time*)

***Twice-lent Money**:* http://paulgrignon.netfirms.com/MoneyasDebt/twicelentanimated.html
***Analysis of Banking**:* http://paulgrignon.netfirms.com/MoneyasDebt/Analysis_of_Banking.html

<u>The Fundamental Problem is Our Concept of Money</u>
The *fundamental problem* is that money is a “single uniform commodity in limited supply”, a thing in itself that can be lent and then lent again. The mathematically inevitable result is two or more debts of the same money. This creates a borrow from Peter to pay Paul and borrow from Paul to pay Peter situation of perpetual debt that can never shrink by so much as a dollar without someone being in default. On the macroeconomic scale, it is why every little downturn in the economy results in defaults and foreclosures.

This model of money as *a thing in itself in limited supply* was required in the past because the use of *high-value portable objects* was the *only* technology available to transfer value over large distances. Gold and silver coins and bullion eventually became the choice for this role worldwide. Precious metals were also a convenient way to *store* value because they took up little space, did not need to be consumed and did not deteriorate over time.

But the technological limitations that required the use of physical coins as money were overcome long ago; and money is no longer a promise of gold or silver. But the *concept* of precious metal coins, “money as a thing in itself” carries on *unquestioned*.

Money Supply = Control

"Permit me to issue and control the money of a nation, and I care not who makes its laws."
~ Mayer Amschel Rothschild

Throughout the transition from physical coins to money-as-debt, those in control know that there has to be a "money supply" that CAN be controlled. For centuries, money as a thing in itself has been accumulated, withheld, and used by the powerful to harness humanity with shackles of debt and get us to deliver to them our labour and common resource heritage . Currently, money IS, quite simply, *a bank's promise of paper cash and coin (legal tender) that it does NOT have, (and, in the aggregate, does NOT exist)* which is created in exchange for *the "borrower's" promise to pay it back.* In other words *money is a fraudulent DEBT-of-money to a BANK.*

Our total dependency on banks for our money supply requires that banking be backstopped with deposit insurance and ultimately taxpayer bailouts. In this way, money-as-a-debt-of-money loses all roots in any kind of reality except the *profit motive of lenders*.

But there is more than ONE concept of money.

Money is our Most Important Social Invention

To my mind, money is mankind's most important social invention. Those who advocate "freedom from money" want to throw the baby out with the bath water. Money is what enables third party and delayed exchanges which enables specialization of labour which creates civilization. Free and fair exchange using money is a self-organizing economic system that could only be replaced by some form of *bureaucratic control.*

The *nature* and *source* of money need to be much better understood by far more people and, I think, *radically changed*. But the *need* for some form of money will always be with us. It has been since the Late Stone Age. It is as necessary as language; because money, in its essence, is *the language of exchange.*

Please see ***The Essence of Money*** 7:36 http://www.youtube.com/watch?v=_dwL9lqVBxY

A "dictatorship of money" destroying our social and environmental life-support systems is not the inevitable result of a "language of exchange". It is the result of "*money as a thing in itself"* which can be monopolized and manipulated.

Money should, instead, be a "time-limited promise of something specific from someone specific".

Money should be the *actual ownership* of some good or service to be taken possession of within a certain time.

Far from being a new idea, this is the other *original* concept of money, thousands of years old, *predating the invention of coins*. Until modern technology emerged, this barter-credit concept was only useful for *local* trade. But with today's *global* credit-clearing technology, *local* credits can finally become *global* "money".

Like a promise of gold, barter credits are backed by *real value*. But the backing can be *anything* of value. Unlike gold it is NOT a "single uniform commodity in limited supply, the value of which is inversely proportional to its abundance." It is, instead, *defined in value* by the demand for whatever its issuer promises in return for it. It does not change in value due to the abundance or scarcity of "money" itself.

This is money backed by real products and services of all kinds. Demand is what creates value and, in these systems, demand is what creates the value of barter credits. If you can produce something in demand and people trust your credit, you can issue "money" in proportion to that demand. If not, you can't.

<u>Money that makes Sense</u>
Modern implementation of this ancient, natural and sensible concept of money is already well underway in person-to-person and business-to-business barter networks, many with their own currencies.

If such currencies could agree on a new sensibly defined value unit, and particularly, if the more reliable business-to-business barter credits could become available to people in general as our common global currency, the world could enter a completely new and liberated money paradigm where, in order to succeed in business, those who produce value *must produce and spend the money* needed for their customers to buy that value.

"The *wage motive* requires that the *highest* wages be paid, for not otherwise will the cycle of purchasing power be started." ~ Henry Ford

This type of money can be scarce or *infinitely abundant* and yet remain *unchanged in value because its value is DEFINED.* It can also be set up in such a way that *balanced budgets are automatically enforced by revaluing credits in real time according to demand using the simple formula, Value = Buy/Sell.*

The bankers in the City of London just paid for an expensive report (http://bit.ly/v13bWB) that advises them to position themselves to take on the role of brokers of a global market in business-to-business barter credits. The report is quite emphatic that this is the most logical source of “liquidity” (new money) in the future, especially if “traditional finance” breaks down.

I agree, although the thought of the City bankers getting in first doesn’t please me.

A New Paradigm

In Money as Debt III - Evolution Beyond Money (moneyasdebt.net) I present a thorough and detailed explanation in animated cartoon form of how a world based on this natural source of money and a few simple rules could result in the sharing of our existing abundance more equitably, free governments of interest on debt, change the dynamics of "mortgages" dramatically, and enable incidental or planned economic *contraction* without defaults or a deflationary death spiral.

I believe that it is imperative to change what money IS in the interest of not destroying what is left of our planetary life-support systems.

And... I suspect it is safe to say that, unless money is fundamentally re-structured, *politics never will be.*

“All of the perplexities, confusion, and distress in America arises, not from the defects of the Constitution or Confederation, not from want of honor or virtue, so much as from downright ignorance of the nature of coin, credit, and circulation.” ~ John Adams, Founding Father of the American Constitution