

# How to stop monetary growth pressure?



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# mainstream monetary theories

- 2 theories in today's economic textbooks about money creation:
  - a) the financial intermediation theory
  - b) the money multiplication theory
    - money is neutral
    - central banks control money supply
    - commercial banks just facilitators
- both theories are wrong!

# mainstream monetary theories

a) the financial intermediation theory:



b) the money multiplication theory:



# money multiplication by intermediation



**deposit**                      - 1% reserve                      = max. loans

**100**                                      - 1                                      = 99



**99**                                      - 0.99                                      = 98.01



**98.01**                                      - 0.9801                                      = 97.0299

...                                      ...                                      ...  
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**Σ 10.000**                                      - Σ 100                                      = Σ 9.900

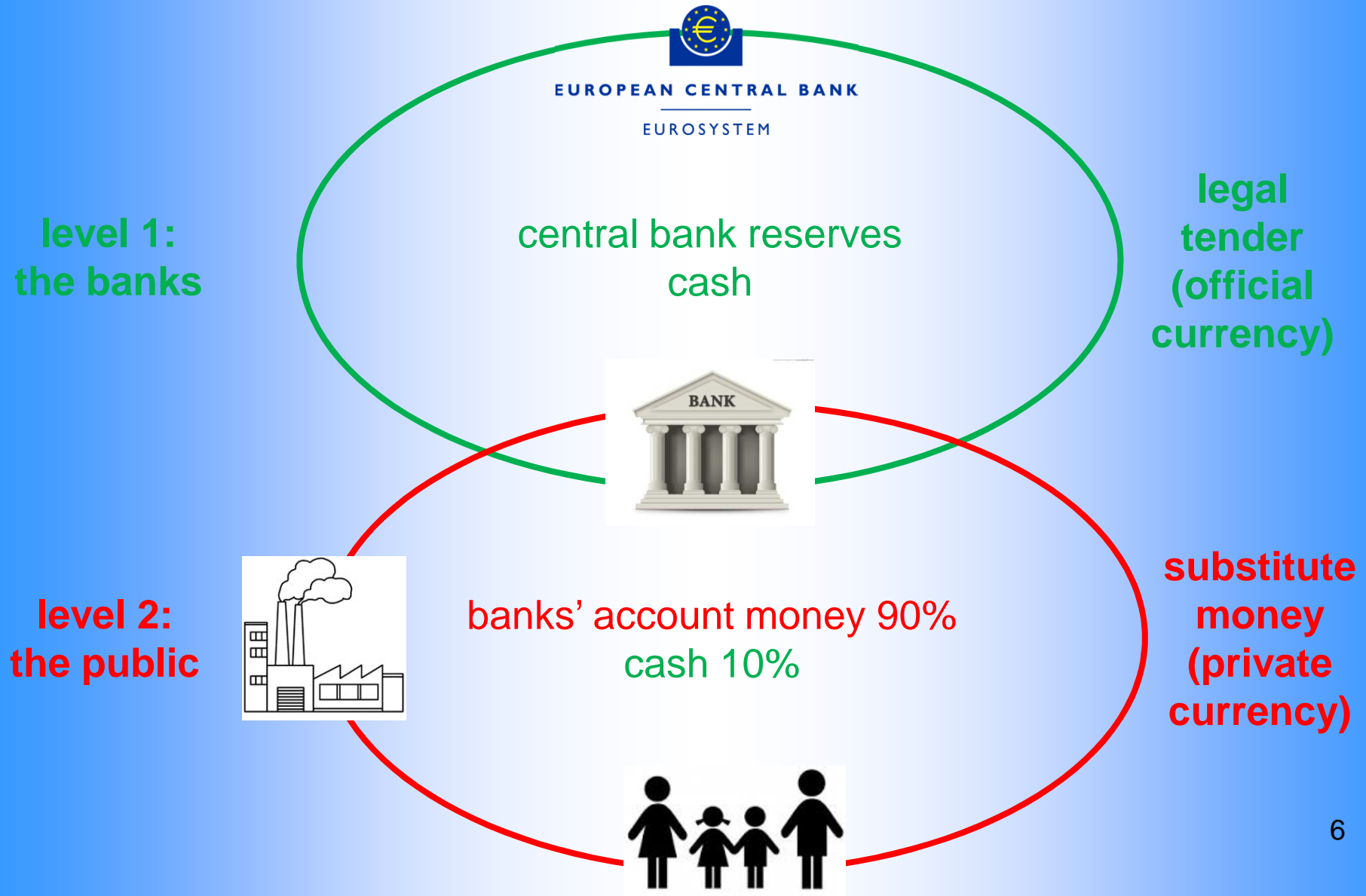
# mainstream monetary theories

„Money creation in practice differs from some popular misconceptions - banks do not act simply as intermediaries, lending out deposits that savers place with them, and nor do they ‘multiply up’ central bank money to create new loans and deposits.”

*Bank of England*

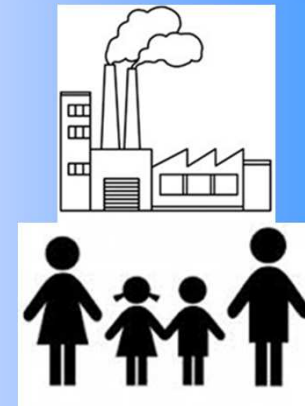
*Quarterly Bulletin, 2014 Q1, Vol. 54, No. 1,  
p. 14.*

# the present money system



# money creation in reality

## step 1: account money



# money creation in reality

- commercial banks create account money:
  - out of nothing by lending
  - the money for the loans does not come from other customers' deposits
  - by accounting entries increasing total assets:

## banks' balance sheet

+ loans

+ deposits



# money creation in reality

## step 2: reserves

lending

creation of reserves (cash)

central bank's debt towards banks



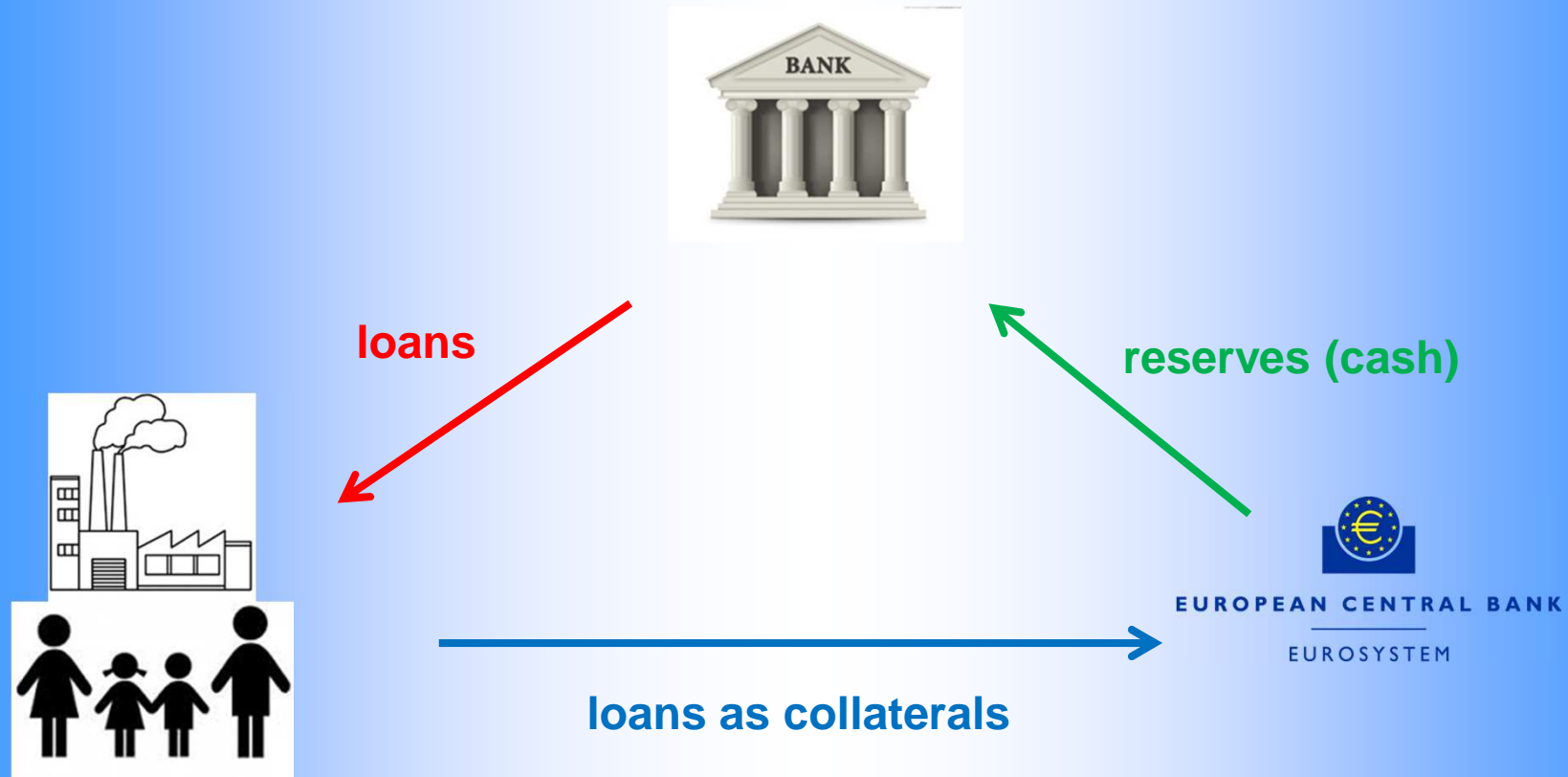
borrowing

provision of collaterals

banks' debt towards central bank



# money creation in reality



# money as debt

- indebtedness
  - exponential growth of monetary assets (resulting from compound interest)
  - repeated losses, bankruptcies and crises
  - the creditors (finance, the rich) rule over the debtors (states, the poor)
  - oligarchy instead of democracy
  - permanent pressure on debtors
  - growth pressure on the economy
  - pressure to exploit human & natural resources

# real economy & money supply

capital  
to buy  
means of  
production,  
natural  
resources  
and human  
labour

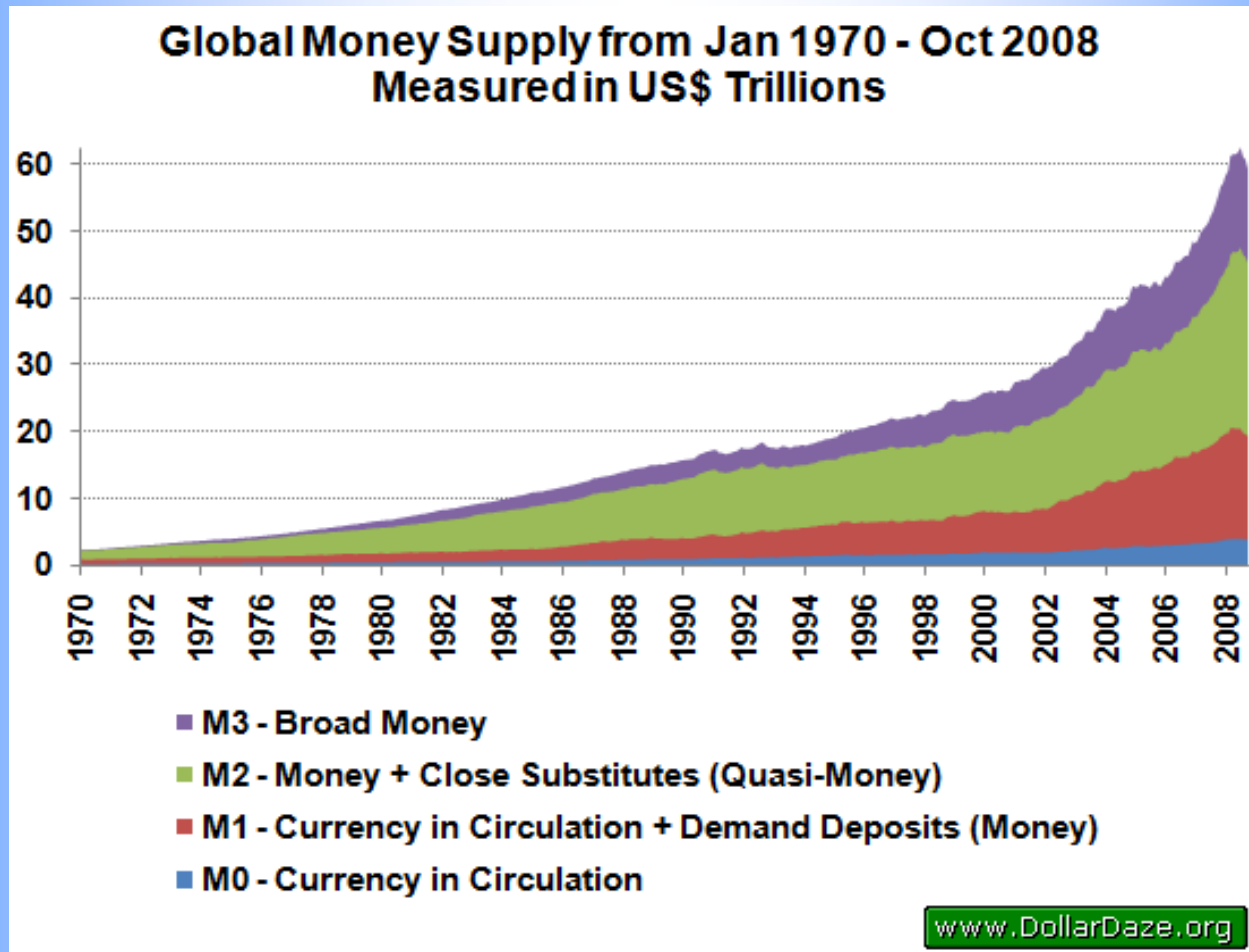
production  
of goods  
and sale  
of goods  
for a price  
higher than  
the production  
costs

payment  
of interest  
and profit;  
new capital  
to increase  
production

time

money supply

# global money supply (=debt)

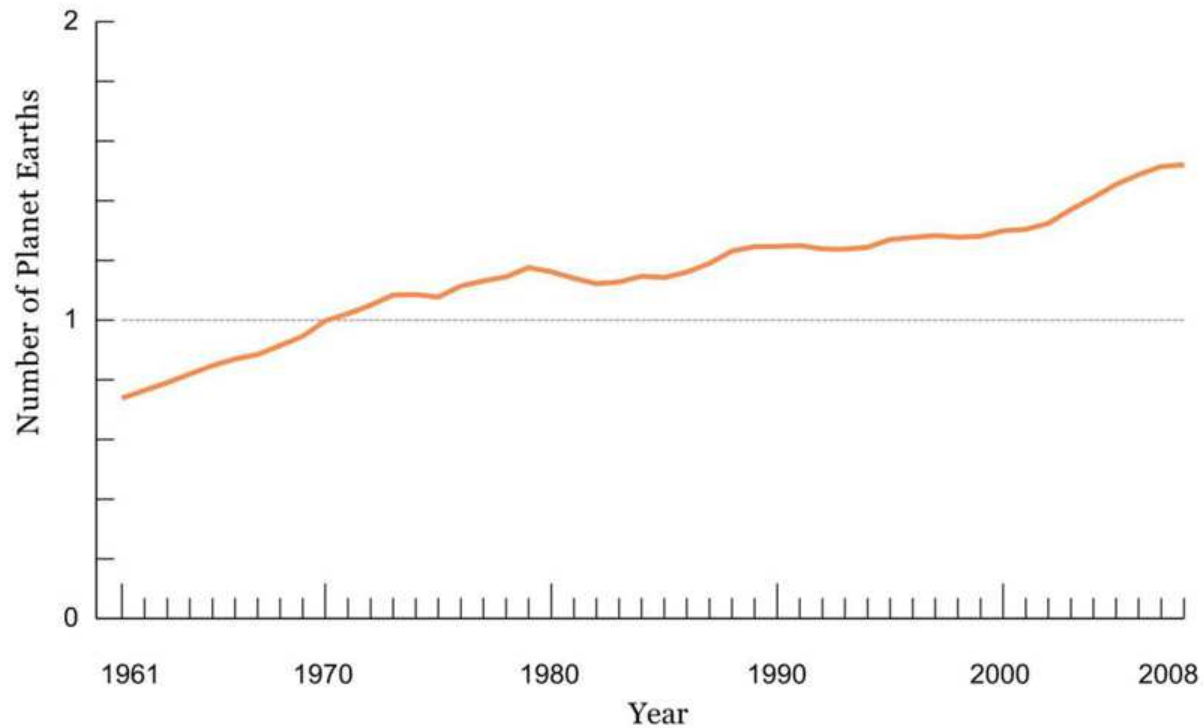


# indebtedness towards nature



Living Planet Report 2012

## Global Ecological Footprint (+50%)



Global Footprint Network, 2011.

# the sovereign money system

1. account money (substitute money, private currency) becomes legal tender
2. all money (cash and digital account money) issued solely by the central bank
3. all money issued debt-free (purchasing power without collateral)
4. money transferred to the public purse and brought into circulation by public spending (democratic legitimacy)

# the sovereign money system



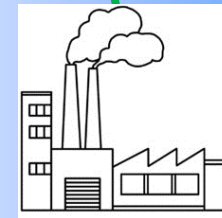
EUROPEAN CENTRAL BANK

EUROSYSTEM



**only legal tender  
from the central bank:  
cash and account money**

- 1. money creation (central bank)**
- 2. lending (commercial banks)**





# sovereign money

- money  $\neq$  debt
- reduction of indebtedness and interest
- no monetary growth pressure
- democratic control over the money supply
- commercial banks are just intermediaries
- all money is legal tender: no bank runs
- new money created for the treasury to finance public spending (e.g. the welfare system and public infrastructure)

the



# VOLLGELD INITIATIVE in Switzerland

- 2011: association MoMo founded
- 2014: launch of a popular initiative to introduce a sovereign money system by changing the Swiss constitution (i.e. by means of direct democracy)
- 2015: initiative successfully established, more than 100.000 signatures collected
- ~ 2017: national plebiscite



**VOLLGELD**  
INITIATIVE



PositivaPengar

MONETATIVE

GODE  
PENGE+



**International Movement  
for Monetary Reform**



OnsGeld

Monnaie honnête

**reforma monetaria**

*Movimiento por una reforma monetaria*



BUdućnost NovCA

PositiveMoney