

GREAT PUZZLE

Have people and resources
but can't get them used.



New Opportunities?

Institutional Alternatives:

1. Command and threat
Warlord
2. Status
Chief, priest
3. Market hire
Entrepreneur with \$
How get \$?

●Physical System



Labor, Resources, Capital Goods

●Symbolic System

Property Rights

\$ Financial Capital

Banking as Property Rights Unused resources are IUG

- Factor Ownership:
- Who is entrepreneur?
- 1. Stick-- State owned firms.
- 2. Totem (status)
- 3. Dollars-- Mkt. via bank loan.
 - Loan to private party.
 - Loan to govt.
 - Zero-interest public debt.
- All structures select who is entrepreneur.

● **Full Employment**

Savings is only way to get investment.

Not Full Employment

Savings is unnecessary.

Create new symbols so people can organize unused resources.

◆ **Money** - Symbol for what is and what can be.

◆ **Money Creation** - Make a loan by writing numbers (an electrical charge) after people's name. All money is debt.

◆ **Banker** - Creator of a property right for a fee. Seller of the right to hire unused resources. Creates new symbols so people can organize unused resources.

◆ **Central Bank** - Creates the right of banks to create money. Regulates money supply. Gives banks standards for what constitutes a good portfolio of loans (including what is good collateral). Creates rights as much as any legislature or court.

How Banks Create Money

<u>Assets</u>	<u>Liabilities</u>
\$100 Cash	Charles deposits \$100
100 Reserves	Celia <u>80</u>
80 Loan	Total \$180

By writing numbers after people's names.

No printing press or gold needed.

Unemployment = \$400 of potential goods

Alternatives

- Tax**
Charles consumes less, so Celia can consume more. Same GNP. Lose \$400 potential.
- Govt. creates new money.** New Alternative Method

Fed Res. Bank	Fed. Reserve Bank
↓	
Private Bank Reserves	
↓	
Private Bank Loans	Fed. Bank Loan (No interest)
<u>Create new money</u>	
Loans to inds. & govt.	deposits 300 100
	"IOM" 100 Govt.
Taxpayers pay interest to Banks for new money.	Zero Interest Public Debt.

- 1. An Economy does not have to save to increase output if resources are unemployed.
- 2. An Economy does not have to tax Charles to put Celia to work.
- 3. Money is a right to command resources.
- 4. Money is an electrical charge on a computer (a number beside someone's name). Cheap to make.

- 5. If Congress can give private banks the right to create money, it can surely give the Federal Reserve Bank the right to create money for the government.
- 6. Paying the banks to create money so that the government can make the unemployed productive is the largest welfare program we have.

The problem with the government deficit is not that we are living beyond our means.

The problem is that we have chosen an expensive way to energize wasted resources--to live up to our means, i.e., capacity.

Without interest, the budget would be balanced.

One last SSP Chart !

Good = Unused resources, e.g. labor. IUG

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|---|---|
| <ul style="list-style-type: none"> • Factor ownership: • 1. Stick (command) • 2. Status (totem) • 3. Dollars (market via bank loan). <ul style="list-style-type: none"> – a. Loan to private party – b. Loan to government – c. Zero-interest govt. debt. | <ul style="list-style-type: none"> • All structures select who gets to be the “entrepreneur.” Banks create rights in unrealized potential. • a. Limited in recession • b. Interest liability • c. No redistribution via paying interest. |
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