

david triggs' long view



People seldom ask why money is valuable since the answer seems so obvious—having money empowers the holder to get the things they want: but why, or possibly how, does today's money acquire this power? In times past, the form of money used—like gold or silver—was also valued for its utility or other characteristics. Today's forms, such as non-precious metal coins, paper notes, plastic cards or mere digital entries in a ledger, are of no significant use other than for exchange. Money, like land, gets its power and value not from any form or utility, but from the inevitable obligation that people are under to use it. In the case of land, this relates to life itself—whilst money, in a form that enables all public and private debts to be legally repaid, is needed by everyone who produces or shares in the wealth produced in a trading economy. Gifts and credit may be essential to a healthy economy and may affect how much money a society needs—but they are not a substitute for money as legal tender.

Like land, but unlike wealth, the value of money is not linked to any cost of production—but it is increased by demand, scarcity, and obstacles to access. Again, like land, money is not wealth; and whilst people do not need to own it, they do need security of possession until they pass it on—this passing on in exchange for goods and services being essential to its value. Also, the economic power that accrues to those permitted to control possession of either land or money is colossal: however an important difference is that whilst money depends upon human agency for its issue, land does not. Control of land hinges upon legal 'title': the control of money hinges upon the law and practice relating to its issue.

Henry George addressed this subject in 1883 in *Social Problems*: "it is the business of government to issue money.... Yet instead of doing what every public consideration impels us to, and assuming wholly and fully as the exclusive function of the general government the power to issue paper money, the private interests of bankers have...compelled us to the use of a hybrid currency, of which a large part, though guaranteed by the general government, is issued and made profitable to corporations. The legitimate business of banking—the safe-keeping and loaning of money and the making and exchange of credits is properly left to individuals and associations; but by leaving to them, even in part and under restrictions and guaranties, the issuance of money, the people of the United States suffer an annual loss of millions of dollars and sensibly increase the influences which exert a corrupting effect upon their government." Significantly he says also: "it may be accepted as a principle proved by experience, that any considerable interest having necessary relations with government is more corruptive of government when acting upon government from without than when assumed by government".

George's caution not to confuse legal tender with tokens of privately created credit and debt is as important today as it was in 1883. Since the unprincipled creation of the Bank of England in 1694, successive UK governments, by failing to collect public revenue and issue money on a just or rational basis, by accumulating debt and interest charges, and by seeking to control interest rates, have allowed money, debt and credit to mix so intimately they have become indistinguishable. Sadly nobody now knows how much good money exists and governments worldwide have lost their power to control its supply.