Chapter One

The Great Deception

Finance Capitalism has evolved, for the most part without legal challenge, by lending **"monies it created out of nothing".** The quotation is from the Prospectus of the Bank of England in 1694. What exactly do we mean by *creation out of nothing*?

Ideas of a *creation out of nothing* have figured prominently in past philosophical speculations and continue in present-day discussions among cosmologists in relation to some postulated Big Bang Beginning of our Universe. If we take *creation* to mean bringing into existence something that was not there before, then we are all familiar with the creation of Works of Art. Michelangelo's sculpture of Moses is a typical example of an artist's creation. He did not make it out of nothing, but used a pre-existing piece of marble to make physically real what his imagination had conceived.

What about *nothing*? It has no physical reality. You cannot buy a quantity of it in a supermarket. The word *nothing*, as part of our language, can be found in any dictionary. We can play word-games with it and make paradoxical statements about it. Linguistic Analysis, however, would give it a special meaning. Observationally, *nothing* (no thing) really means *no other thing* than the observing self, just as *none* (no one) really means *no other one* than the observing one self. We conceive empty rooms with no one or nothing in them, but a room is only verifiably empty, when there is no one or no thing present in them other than the observer. *None* and *nothing* have no reality of their own. They only exist within the mind of the self who conceives and speaks of *none* as meaning no other one, and *nothing* as no other thing.

All this may seem only a further playing with words and prompt the reader's retort "So what?"

In decimal arithmetic, our ten-fingered notation makes use of ten different signs 0,1,2,3,4,5,6,7,8,9 and positions them according to powers of ten to represent numbers. All today's computer-based technology functions on what is called Binary Arithmetic. The latter makes use of just the minimum number of signs to express distinction, that is, just two, 0 and 1 and positions these according to powers of two as in 1 + 1 = 1 0. There is a never-ending number of possible different combinations of these two distinct number signs, 1 and 0. They can be made to represent not only numbers but also letters of alphabets and subsequently words and sentences. Digital technology can be used to figure graphics and to colour designs.

The whole computerised expression now of modern culture rests on the two pillars of 1 and 0, of The One and The None, of The One Thing and The No-Thing. The One Thing is our own one self. The Nothing is no other thing than ones own self. Global Finance evolves by means of invented and loaned purchasing power (*monies created out of nothing*) made existent at the touch of a computer key, by the accountant's creative art of credit and debit bookkeeping entries. Very many of the problems arising in human discussion result from differences in meaning associated with key words. Words mean what we want them to mean. It is necessary at the outset of any serious dialogue, to define precisely the terms of reference. Nowhere is this more important than in dealing with issues involved with **MONEY**.

What is Money? Dictionaries make simple statements about it. Economists write books about it. However, few people have any real knowledge or understanding of the essence and role of money in the marketplace and how *modem money* comes into existence.

It would seem that most people today in Western influenced society are obsessed with the idea of ***making money***. Basically there are only three types of real money-makers. There is the head and staff of the Government Mint who make a very small percentage of the money supply in the form of coins and notes. The next two classes are the manufacturers of either counterfeit or counter-feat money. The counterfeiters, with no political permission to do this are given lengthy prison sentences if caught and found guilty. Those financiers, astute enough to get the blessing of officialdom on their ingenious bank-counter feats, whilst leaving most people in planned ignorance, are the ones who literally make out of nothing about ninety five percent of the actual purchasing power money we use. Often, they are rewarded with national honours for their uncivil civic services.

When ordinary persons talk about making money, they mean that by engaging in some business they can get money from somebody else, money that is already in existence. When bankers talk about making money, they mean what they say in two ways. With simple and highly ingenious bookkeeping, they literally make money out of nothing by creating the make-believe deposits which serve to finance the needs of those to whom they make loans and extend overdrafts. Then by charging interest on their fairytale creation, they are also able to make money out of making money.

It is because most people only think of money in terms of the hard cash in their pockets, i.e. coins and bank notes, that they are unable to grasp credit-debt creation. They only think of **deposits** as the cash in the bag that shopkeepers take to the bank at the end of the day's trading. They do not understand that banks create imaginary deposits when, with their computers, they key in numbers in the loan and overdraft accounts of their clients. It may make the situation easier to explain if we abandon, when confusion may arise, the use of the word ***money*** and replace it with ***purchasing power, or p-p*** for short. The possession of money confers upon the possessors the power to purchase whatever they want, be it goods or services, or to acquire simple economic or political power over their fellow human beings. Governments have been seduced and duped into privatising the creation and distribution of financial purchasing power. Banks do not create the minuscule amount of circulating legal tender hard cash currency. They do invent, with the stroke of a pen or the touch of a computer key, the credit and debit entries by which today's business accounting operates and to which the total purchasing power of the community is now enslaved.

The purchasing-power money, once created and credited into a borrower's account, is then called a ***bank deposit***. Once a client's loan application has been approved, a bank opens an account in that name and calls the created amount a ***deposit***. In this way a bank invents and lends its clients the money that then becomes their deposits.

In the Bank of New South Wales Review, Number 27, October 1978, under the section Economics, there was a comprehensive article concerning Sources of Money. Its dominant theme was the statement that in most modern economies, including Australia, **all money is a debt of the banking system.**

Under the heading Banks create Money, there was outlined how Banks create money out of nothing. It explained that when a client is granted credit by overdraft, an account is opened in the bank's books and the client is given the right to draw funds without first having to put any money into the account. It is only when the client actually draws on his account in order to pay his creditors, that the bank deposits increase. Loans differ from overdrafts. With a loan, finance is deposited immediately to the client's credit and this effects an immediate increase in the volume of money. In both of these situations it is the bank's credit-money-creating and lending activities that bring about such increase in the money supply of the community. The bank’s capital account increases as the principal of the debt is repaid. These loans and overdrafts are their own make-believe deposits and constitute the largest proportion of bank assets.

So much for what the banks say. It must be understood that banks create deposits of financial credit or purchasing power (p-p) out of nothing. Their loans or overdrafts have no financial substance of their own. They are only what the lenders and the borrowers will and intend them to be. They are contrived financial fictions. The human mind associates the psychical or conceptual money-substance of the credit and debit entries stored in the memory systems of computers with the physical gold and silver of the business activity of the past. By a species of intentional transubstantiation, these number-signed financial fictions become a kind of *supernatural cerebral gold*. In the ritual worship of the god of Mammon, the action of the sacrificial meal is taken over by high-finance-priests, who, with their hocus-pocus counter-feat, create and sanction the substance change of credit and debit computer entries into the imagined substance of their divine and idolised gold-money.

Bank credit in the form of cheque or plastic money is not strictly legal tender money like coins and banknotes, but current financial practice accepts their use as valid. About ninety five percent of the money in non-speculative productive commercial business circulation is of this fictional make-believe nature and has no backing of real legal tender money. It may come as a further surprise to most people that over ninety five percent of the purchasing power money in existence is not for productive commercial enterprises but operates, through computer technology, in the Cyberspace of the global Casino of currency and stock market speculation, takeovers, hedge funds, derivatives, futures and the like.

Whilst it is correct to say that all purchasing power (money) has its origin in banking systems, it is not absolutely correct to say that all purchasing power is a debt of the banking system. There is a world of financial difference between the free self-credit purchasing power that the banking system can, and at times, does create for itself to pay its own expenses like purchasing Government Bonds, and the other purchasing power that it creates as interest burdened debt for all others in the community to use in the marketplace. The banking system is parasitic in the global community, in it but not of it.

It is questionable how many professional economists and other academics really comprehend money or purchasing power creation out of nothing. The significance of interest-burdened debt from the overall viewpoint of a national or global economic system as a whole eludes them. Cybernetics would classify it as a self-functioning, feedback system. Few seem concerned that for some countries already, and sooner or later for most other countries, the compound interest on this unpayable debt to the banking system exceeds the total amount of money circulating in the production-consumption marketplaces of these same countries. All p-p money is debt but not all debt is represented by some kind of p-p money. The interest on debt money is also debt, but when the debt money was created out of nothing, there was no extra money created to pay the interest as well. When the principal of the debt is repaid into the bank's capital account, one specific unit of debt money is effectively withdrawn from circulation, but it is only translocated. An equivalent bank asset is also cancelled out of existence. The compound interest of the debt still remains as the bank's *earned* income. Some is stored as deposits or used to acquire real tangible assets like real estate. Some is spent back into circulation to pay the banks expenses of wages and above all to pay handsome dividends to its shareholders.

Financial wealth is only the shadow of real wealth, the real wealth of natural resources and human brains and brawn. Before saying more about this distinction, it would be useful to consider another imaginary situation in the context of today's economic and social realities. We will refer to a hypothetical city called Metropolis.

Commercial disaster had overtaken the public transport system of this city of Metropolis. It could boast the finest trains, trams and buses with their complement of technicians, drivers and other personnel. Its roads and railways were in the best of repair. There was a whole population ready, needing and willing to use this essential service. All farm produce and the products of industry were piled up waiting to be transported. Yet all movement had stopped. There were no tickets.

In the past, the Public Transport Authority had printed their own tickets, but now another private printing company had obtained a legal monopoly for all such printing and was demanding to be paid, not just for their labour and materials, but also the face value of the tickets themselves. That was not all. The tickets would always belong to the printing company and those who used them would have to pay a further percentage of their face value for the privilege of using them.

Such a debt system was commercially absurd and self-destructive. It effectively meant that the ticket-printer virtually owned the whole transport system for all of the latter's ticket sales' revenue was forfeit to the former. It also meant that the Transport Authority would always be operating at a huge loss since it would have no revenue of its own to pay its running costs of wages, maintenance, depreciation and new rolling stock. The shadow was dictating its terms to the substance and was now the master of all who were totally and slavishly dependent on it.

Most of today's purchasing power (money) supply, namely cheques and plastic credit cards, is not real wealth but only a bank issued ticket or make-believe shadow entitlement to real wealth. Banks, as creators of the community's financial credit, have obtained a legal monopoly for the providing of such tickets for the exchange and distribution of real wealth and behave no differently from the above printer of the transport tickets. The use of p-p money today is a travesty of economics. It is uneconomical. It costs money just to use money.

The economic crises right throughout the world indicate that there is something wrong at the core of male knowledge and understanding of how to run the business side of humans' global and community house-keeping activity. Mothers excel as family housekeepers.

We are confronted with a state of affairs which permits a surplus of ordinary essential goods and services whilst millions are living at poverty level, in need of most of the commodities that are, in reality superabundant. To add to the paradox, it seems that the privation of these have-nots, is due to the very existence of the surplus for the haves. In the global marketplace all countries endeavour to consolidate their position by disposing of or dumping their real wealth while trying to avoid taking any other country's real wealth in return. More absurd still is the growing of grains for profitable feeding to animals who in turn will eventually and inefficiently feed a relatively small number of affluent humans. This accompanies also the wholesale destruction of foodstuffs for market reasons whilst millions are dying of hunger. Biofuels to feed the voracious appetites of internal combustion engines are the latest last straw product of an industry now in the throes of unsustainability.

It is completely inconceivable that these apparent contradictions can be written off as being inevitable due to natural causes or to the defects in general of human nature. No reasoning person can reconcile a state of affairs in which the genius of men and women has succeeded in mastering the very energy of the atomic nucleus and of transporting themselves to the moon, and yet at the same time is incapable of solving the most basic and elementary economic riddles of our age.

Professional economists and self-styled experts and authorities in these matters express so many conflicting opinions and proffer such contradictory advice that the world is more confused than ever. The national debt of all countries to the banking system is increasing exponentially and can never be paid because the principal, burdened and growing exponentially with compound interest must of necessity be increasingly greater than the amount of actual money in circulation. This will be dealt with more fully in a later chapter on the ***The Plague of Debt***. We are on the verge of catastrophic global bankruptcy. Academics realize such, but have no notion how to avoid it. It is time that Cybernetics and the scientific logic of self-functioning feedback-systems, unhampered by any preconceived theories and self-interest, be allowed to pass judgment on the situation and to shed light on a marketplace shrouded in the darkness of impending doom.

Any scientific and consistent valid system of Economics for the future must adopt the methodology of Cybernetics. It must learn from it how to integrate the management and monetary systems operating in the marketplace of human society, in order to fit them in harmoniously with a progressive cultural evolution seeking the perfection of mankind in freedom and prosperity, not in slavery and poverty. Technology is necessary in Nature's design to free human beings from the Curse of Adam, of having to eat ones bread with sweat on ones brow. It is intended that automation and machines should take over the menial work in business and industry and leave men and women free to engage in pursuits that would make even more beautiful our beloved Earth, the Planet with a heavenly destiny.

We are not meant to be idle and bored, not meant to become disinterested or drugged and destructive in frustration. We are to take loving care of each other and of the world around us which is to be our common wealth in a global community, a unity of nations enjoying distinction and union at the same time. Our employment in the future is to better ourselves in mind and in body and to beautify, with creative human artistry, the environment and our cultural milieu with new positive becomingness. We shall need all the time we can get to cultivate higher states of consciousness and to share their fruits in social intercourse and peaceful enterprises.

Whenever such plausible Utopian ideas are propounded, the first objection that is usually raised is the question of where is the money to come from in order to do it. The answer is a very simple turn around of questioning. What is this fiction called *money* and where does all money come from in the first place? There has been more deliberate deception and cultivated ignorance about the real nature and origins of actual forms of various kinds of money than ever about the storks and baby-bushes that gave new human beings to this earth. Those people, such as bank managers, involved in financial transactions and those who have undertaken some tertiary finance or economics study are, for the most part, the most ignorant of all, for their closed minds have been programmed with lies, half-truths and distortions of economic and monetary reality. There are exceptions. There is also a growing number of academics from other disciplines whose training in logical thinking enables them to perceive the malice in usury's global plunderland.

Words mean what we want them to mean. The criminal abuse of the role of money in society by global financial institutions is obscured, either deliberately or through just simple ignorance, by academic economists and media journalists quibbling over the many meanings of words like money, create, deposits, debt and credit. The banking system has a vested interest in not allowing the basically simple realities of their usurious practices from being understood by the majority of intelligent human beings. Despite their statement that all money is a debt to their system, banks still encourage both people and politicians to labour under the erroneous idea that they only lend out money that other people deposit with them. Just from where the depositors' money initially has come is discretely left unanswered.

Most people assume that their money supply consists only of those notes and coins printed or minted by the Government's Treasury and subsequently put or paid out into circulation by a mysterious process. They are persuaded that this process is so complicated that only a few people ever master how it is done. Ordinary citizens are advised that it is impossible for them to understand the mechanics of money and that financial matters are best left in the hands of experts in the banking business. Few persons realize that notes and coins are only a minuscule fraction, about 5%, of the purchasing power money in circulation.

Confusion arises, and often is deliberately encouraged, in the minds of ordinary people by economists' distinctioning of money as
M1 - Notes and coins held by the public, plus demand deposits of trading banks, but excluding Commonwealth and State Government and inter-bank deposits.
M2 - M1 plus interest-bearing deposits of trading banks.
M3 - M2 plus savings bank deposits.

It is not necessary to delve too deeply into these categories. They are all various mechanisms of exercising ***purchasing-power***. There is one essential distinction, however, which must always be understood and it is revealed in the figures below from the Reserve Bank of Australia Bulletin, November 2001. These were the figures in this author's first book on Economic Reform entitled *The Great Harlot. Malice in Plunderland* is a re-named and revised version of such. It has not been deemed necessary to update the actual figures to convey the message they contain.

September 2001 Total Deposits in Banks		$452,971 million
Legal Tender in Currency Notes		$26,893 million
% of Notes in money supply	5.9%	
Total amount of legal tender money created by the Reserve Bank for the government	5.9%	$26,893 million
Total amount of money created by **private banking companies**	94.1%	$426,078 million

Most people today have some knowledge of and have been initiated into the cashless society of the future with its replacement of cash (coins and notes) with the purchasing power of plastic credit cards and microchip technology. It has not yet dawned upon them to ask how this is consistent with the notion that banks are only financially involved in the market place with lending the cash that people deposit with them.

If interest is to be paid on invested or loaned money, then the circulating money supply must be made to increase. That the money supply is continually increasing is evident from the demands of global inflation. If banks only on-lend what money is deposited with them, then how is it possible that in the nations of the world, the debt of their communities to the banking system exceeds by far the actual amount of money in circulation in those same countries.

Some important distinctions need to be made with regard to the *By whom*? and *How*? of loan p-p money. There are **commercial or trading banks** for whom it can be said that their advances do create deposits. Of this, more will be said shortly. There are other financial institutions which operate exclusively as **savings banks** and some which operate as **non-bank enterprises**, like Credit Unions and Building Societies. For both these groups, savings bank and non-bank financial institutions, a reverse relation applies in as much as their deposits are on-lent to borrowers. For the non-bank group there is the restriction that they do not have access independently to the cheque clearing facilities operated by the banks. At the time of this writing, if a Credit Union or Building Society is to provide its clients with cheque facilities, it must do so through one of the trading banks, with the latter's prior agreement so that its cheques may be cleared. These non-bank institutions pay interest to their depositors, at a rate considerably lower than what is charged to borrowers. Thus worthwhile profits can be made on the interest rate margins between deposits and loans. This on-lending process, whereby a financial institution acts as intermediary between lender and borrower can be termed **intermediation**.

No interest is paid on current accounts by trading banks who are in the uniquely privileged position of being able to make much larger profits than could possibly be obtained through intermediation alone by reason of their credit p-p creation function. In point of fact, commercial or trading banks do not lend out the money of individual depositors nor do they lend already existing money, but their every loan or business overdraft is created out of nothing. It is completely new p-p money or credit. Though it becomes a positive addition to the amount of money in the community, it is not Government issued or sanctioned legal tender.

In accounting terms, the credits which banks create and print or key to their borrowers' accounts are single-entry only. They are not debited to the bank's capital account, nor is there any corresponding debit entry to another account of the bank. They are Bank Assets. That such bank credits have no double-entry counterpart makes evident that they are a new creation of money. In the whole long history of banking there is no record of the account of any depositor ever being altered or reduced in order to increase that of a borrower.

Most orthodox textbooks on Economics and even some reformist books on the subject of money creation still have recourse to a ***multiplier effect***. By this they would have the reader believe that bank credit creation begins with a deposit of cash in one bank, leading to an expansion of advances in accordance with the appropriate Liquidity or Capital Adequacy Ratio. These advances or loans result in cheques being drawn on one bank and deposited with another. In this financial magnifying roundabout, part of those deposits are on-loaned until up to ten times the original cash deposit has been advanced.

It is instructive to examine arithmetically what does happen in those situations of actual on-lending intermediation or in what sometimes is called fractional-reserve banking. A Savings Bank accepts $1000 from a depositor and agrees to pay 5% interest per annum. After one year the depositor's account will be increased by $50. In the meantime, the Savings Bank, acting as or through an associated Trading or Investment Bank, on-lends ten times the amount deposited, i.e., it on-lends $10,000 at a much higher rate of interest, say 10%. The interest it will receive on this virtually costless credit creation is $1000. For an outlay of $50 of interest payable to its depositor, the Bank earns twenty times that amount from the interest paid to it by borrowers. The Bank thus makes a handsome profit of $950, a return of 1900% on its use of a depositor's good faith. Inherent in all this, however, is the mischievous and misleading belief that banks only on-lend what their customers have deposited.

What does generally occur in practice is that subject to a Liquidity Ratio, the Prime Assets Ratio and the Capital Adequacy Ratio, the trading banks can create deposits merely through expanding overdraft advances. They can do this up to the limit imposed by the Capital Adequacy Ratio as far as total credit creation is concerned, but in doing so they must maintain sufficient liquidity to satisfy the Prime Assets Ratio. Such liquidity is the total of its cash in hand, Government Securities and Settlement Account balances with the Reserve Bank. It is worth recalling what was written above on pages 4 and 5 about how Banks themselves say they create money out of nothing.

> *When a client is granted credit by overdraft, an account is opened in the bank's books and the client is given the right to draw funds without first having to put any money into the account. It is only when the client actually draws on his account in order to pay his creditors, that the bank deposits increase. Loans differ from overdrafts. With a loan, finance is deposited immediately to the client's credit and this effects an immediate increase in the volume of money. In both of these situations it is the bank's money-creating and lending activities that bring about such increase in the money supply of the community. This increase remains as long as the debt is outstanding. These loans and overdrafts constitute by far the largest proportion of bank assets.*

Clearly the above gives the lie to the theory that deposits precede advances and that investment cannot be made without prior savings or importing foreign capital. Investment can come from newly created credit with no regard at all to the level of savings. Advances create deposits, not vice versa. The reader may need to be reminded, as already insisted, that the same word *deposit* refers to both what the Trading Bank creates and deposits in the debtor's account and also to what monied clients deposit in Savings Banks. The former pay interest to the bank whilst the bank pays interest to the latter.

As pointed out on Page 12, the fact that such bank credits have no double entry counterpart makes evident that they are a new creation of money. As money or credit is created when trading banks expand advances, only the debt as a bank asset is cancelled when advances are repaid. The accounting entries would show that money deposited, by cash or cheque, to an overdraft account reduces the debit balance of that account, and the money deposited is added to the bank's capital account. If the deposit is by cheque, the drawer's account is debited at its bank and the overdraft account of the drawee is credited, thus reducing its debit balance. If the deposit is by cash, the overdraft account is similarly credited.

Because trading banks collectively create most of the nation's money supply, the latter is increased when the banking system expands overdrafts and the resulting cheques are deposited into the accounts of the payees at their respective banks. By contrast, some money supply is transferred when advances are repaid. So-called *economic growth* means that the creation of money, together with its corresponding debt, generally exceeds its circulation withdrawal from repaid advances. Limits on the expansion of credit by the banking system are imposed by a nation's Reserve Bank. At the time of writing, in Australia, the Reserve Bank undertakes a *Prudential Supervision of Banks* with the introduction of its Capital Adequacy Guidelines which tie bank lending to its capital-plus-reserves in the ratio of 8%. Such *capital*, in general is paid-up ordinary shares, while *reserves* are amounts which have been transferred from profits into reserve accounts of various kinds. Banks can thus create credit up to twelve and a half times their capital-plus-reserves.

Once upon a time, money in the material form of shells, precious stones, gold or silver coins and the like had had a certain intrinsic wealth value. Almost all today's purchasing power money is merely make-believe wealth, created out of nothing by banks or other similar financial institutions simply and effortlessly by the stroke of a pen or the touching of a computer key. Banks can and do create credit money or purchasing power and put it into circulation as the debt of others to them. When in due course it is repaid to the bank, the debt as debt and as a bank asset is cancelled out of existence and as a bank's newly acquired capital made ready for further use.

One debt is only cancelled by the creation or substitution of another. The positive feedback cybernetic cycle of the monetary system is simplicity itself. Every loan and every overdraft creates make-believe deposits and every repayment of a loan and every repayment of an overdraft is credited to the Bank's Capital Account. This created bank credit-money, exchanged through cheques and the like, is not technically legal tender, yet the banks have no hesitation in demanding repayment with real legal tender.

The combination of roles that banks now have in their activities of intermediation and money creation complicates the issue and makes it difficult for ordinary people to gain a clear idea of how market-place finance is manipulated, always to the advantage of the financiers. The role of intermediation is quite obvious and easily understood, whilst the creation of purchasing power credit money belongs to the realm of mystery and magic. For many, it is simply incomprehensible. For others it is something they refuse to believe, since they cannot bring themselves to accept the possibility of making something out of nothing. They cannot accept that modern purchasing power has only a psychical existence, being bought and brought into existence by touching keys on a computer's keyboard.

Since the deregulation of the financial system in the 1980s, there has been a steady trend in banking institutions to amalgamate these two roles of Savings and Trading Banks. People looking for housing mortgages have to compete with large corporations in marketplace borrowing. This situation did not exist previously, since housing loans generally came from on-lending depositors' money by intermediary Savings Banks, Credit Unions and Building Societies, whereas commercial loans were initiated in the current account advances from newly created money by trading banks.

The only difference between financing for human freedom and real global prosperity and financing for slavery and poverty lies in, How? and By whom? it is done. It simply depends on whether it is created freely and efficiently in a negative feedback system by a community or nation through its own kind of Monetary Reserve Bank, as a credit and dividend to the people themselves, or whether it is done in a positive feedback system by some self-aggrandizing private institution as usurious debt to the rest of the community, for as long as the masses of people and their leaders can be kept in enforced ignorance of their counter-feat.

It is necessary to clarify our ideas about what constitutes real wealth and to distinguish between individual wealth and a community's common wealth. The perennial conflict between, what is "*mine*" and what is "*ours*", will only be resolved when each recognises its need of the other and seeks each other's perfection in unity. Under present economic conditions, any institution's or individual's make-believe monetary or financial wealth, unlike real national wealth, is national debt since virtually all money is a debt of a community to the usury-ridden banking system.

There is still time to choose as to whether we have the required money issued as a credit to ourselves and enjoy such peaceful economic fruitfulness as this world has never yet known, or we bury our foolish heads in the sand and pretend that the impending disaster, inevitable as things are, is far less unacceptable with our eyes closed or blindfolded. To appreciate the full significance of the growing economic crisis due to self-destructive positive feedback systems, some deeper delving into the history of banking and of money's role in the marketplace needs to be done.

However, even before that is undertaken, it will be necessary to reflect on the nature of self-functioning systems and the more precise use and understanding of the word *feedback* in those situations where such feedback is described as being either positive or negative.

Most people are familiar with *feedback* in the context of the marketing of some particular product which the manufacturer claims will effect certain desired results, like remedying some sickness. Good favourable feedback about the merits of the article in question is said to be positive. Negative feedback would be understood as unfavourable, whilst positive feedback would give that necessary encouragement and impetus to stimulate growth.

With self-functioning systems, an opposite logic is required.