

Cord Article #6
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Being The Change

What is money anyways?

Relaxing over the New Years break I watched films from my movie collection and one night, feeling particularly nihilistic, I threw Fight Club into the DVD player. Watching the final scene with a tear of joy in my eye, the American financial institution fell to the ground in a well timed and controlled anarchistic act. I could not help to wonder what would happen if Canada's financial computers were set back to zero for everybody.

There would be no OSAP debt, no bank debt, no credit card debt, no virtual on-line accounts, or due to the abandonment of the gold standard years ago, no physical backing from the banks of the majority of our money. The only worth you would have is your physical assets, your cash money on hand and your brain (ethical or not). Most money is no longer real but based on the credit of a nation, what our natural resources (human and physical) are worth on the open market.

Obviously, if our financial computers were reset there would be repercussions in the stock market and to our currency's value, but I naively question whether it would necessarily be a truly negative thing. If the Canadian dollar became difficult to find, would it not increase in value like my rare Wayne Gretzky rookie card?

I started my search to discover where Canada's money was created. I assumed it would be made at the Canadian Mint and be controlled by the Bank of Canada (BoC). I have an understanding of the financial system and we won't go deep into global money markets in this piece, but I obviously had not taken a business class in government financing as I could not have been more wrong.

In this age of \$250 million dollar buyouts of defective CEOs, banks can't hold enough in their vaults to pay them all off at once; due to a bill in mid-1991 that changed the statutory reserves provisions, banks don't hold anywhere near the amount to pay out to a fraction of the mass if they tried to get their money out. As I dug deeper into the creation of money I found some really mysterious answers my questions.

As Brian Mulroney and his conservative party ruled Canada with an economic fist we slowly turned away from the BoC as our financier and decided to pay for most of our projects and excesses with loans from privately owned banks. Gone were the days of near interest free loans (as interest payments were brought into a crown corporation) from a government institution, and a new age of at or above prime loans from the big banks was ushered in.

Instead of repaying our government loans to our government bank, we switched to financing the growth of private banks and run away salaries for the upper management of the banks (the tellers sure didn't receive equally proportional prosperity from this new deal).

Does it seem ridiculous to anyone else that we are now paying interest on our government spending instead of all the money going back into government programs and institutions? Why are private banks who: outrageously pay their upper management;

make multi-billion dollar yearly profits; and take our 'service fees' without second thought also allowed the opportunity to further take from public monies in the form of interest payments on loans to our own government? How has this been going on for so long?

Why does our government continue to support private banks? An easy answer is that politicians seem to have a disposition to treat the ultra-rich as untouchables. What easier way to treat your banker buddies than to support their near monopoly of monetary systems while ignoring the financial well-being of the rabble and having a complete lack of interest in the BoC that was created to service that exact same role. A politician may even be rewarded by being appointed to the board of one of these private banks.

The BoC was created 1934 as private entity (to the delight of the private bankers who owned it) and was nationalized in 1938 (much to the bankers dismay) to finance projects to get us out of the Great Depression. The BoC was used to finance projects of all levels of government and did so with great results before the aforementioned change in the Mulroney years. According to the CAP the BoC currently creates about 5% of our money supply and the other 95% is created by a private bank.

This virtual money is created with no more trouble than me typing these words into my keyboard. You get a loan for a new house and the banker types it into his computer and you transfer it to the seller. Did anything actually change hands? Did this virtual transaction even happen? Well the private bank says it did and you pay colossal real interest on this virtual transaction. Upscale this to the federal and international level and the question remains, what would happen if we set it all back to zero?