

## False Belief #4: Currencies Are Money

By Louis Boulanger

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NO, they're all imposters! The delusion is so deep and ingrained in our current economic thinking that it is very difficult to foresee exactly what it will take to wake people up from the deceitful postulation that currencies are money. Maybe, once upon a time, they were. But that is no more the truth than the fact that they remain accepted as money. And that acceptance is no more than the result of another quiet assumption operating in our minds thanks to the persistent deceit we are all subjected to.

Of course, we all use currencies as money, yours truly included. How else could we survive? By law, only currencies are legal tender in most places around the world. We use currencies because there is no choice in the matter. When it comes to monetary matters, there is no freedom of choice. Or, if you prefer, the choice is just an illusion. All currencies today have the same fundamental characteristic that limits their true nature to being just legal tender and prevents them from being real money: irredeemability.

Because currencies are not redeemable on demand for a set unit of weight in gold, as would be the case if we did have sound money and freedom of choice, currencies are simply bank notes or debts of the central bank that issues them. Currencies only represent credit money or, if backed by the credit of a government (in which case the debt is then no longer that of the central bank that issues the notes but of the government) can also represent fiat money.

But how can money also be debt? Who pays the government debts if not the people with their hard earned 'money' in the form of taxes?? I know; the mind boggles. When I came to that realisation, a few years ago now, I suspect I felt like the character Neo in the film *The Matrix* did when Morpheus asked him: "*You think that's air you're breathing now?*"... This monetary system we have is so unsound, so debilitating, that the mind is filled with fear, doubts and false beliefs.

You think that's money you're using now? Free your mind! Realise that it is only pretence for the real thing. But do use it; don't save it. Use it wisely by *exchanging* it, as it is meant to be. After all, that is all currencies are good for now: as a medium of *exchange*. None are good as a store of value. All currencies are losing purchasing power relative to their original standard of value: gold.



What about being useful units of account? Well, that they are. But are they any good at it? Arguably they are, but only if you are content with an unstable or unreliable unit of measure for your assets and liabilities. A fourth function of money is to act as a standard of deferred payment or a unit in which debts are denominated. How do currencies now stack up to that? That depends whether you owe the debt or you own it...

There lies all the difference. You see, currencies are becoming more and more unstable with the ever increasing amount of debt in the world and so, less and less reliable or even suitable as *fair* standards of deferred settlement of debts. If the currency in which the debt is denominated does not maintain its value or purchasing power, and the debt amount is not adjusted accordingly, you gain if you owe and lose if you own.

Well, guess what? Our current monetary system is predicated on ever increasing debt, on monetary inflation where money itself IS debt. How nonsensical is that?! Yet, here we are: debt addicted. How could we not be? As long as this chimera posing as money continues to pervade our economic thinking, we can expect to continue being addicted. Ah, the insidious effects of inflation!

William Rees-Mogg tackled inflation most insightfully, in my opinion, in his book published in 1974: The Reigning Error – The Crisis of World Inflation. In it, he postulated that inflation is a disease of inordinacy. Like anarchy represents the inordinacy of the people and tyranny the inordinacy of the ruler, inflation is an inordinacy of money. It is *money without order*.

He argued then, that the problem of inordinacy, like the problem of inflation, is not a new one: *“it is rooted in the nature of man, as inflation is rooted in the nature both of man and of money”*. He also argued that because the inordinate is always insane and always ends in destruction, the insanity of inflation leaves a mark of insanity on society: *“it changes a good society into one which, so long as inflation lasts, is wholly and fraudulently unjust.”*

Such wisdom! He nailed it. It is the disease of inordinacy which monetary inflation is, that explains why policy makers keep trying to fix the problem of too much debt with more debt. Insanity, after all, can manifest as doing the same thing over and over again and expecting a different result. Well, where does that leave us? Do you want to rely on such madness to determine your actions as an economic unit?

I hope not. All human institutions, including our current system of fiat only currencies we inherited from past economic hubris, require a limit if they are not to become inordinate. There is no limit to the amount of currencies in circulation today, nor is there any standard to maintain their value. For the restoration of monetary order, we must first recognise that currencies are no longer good money.

For currencies to be good money again we must accept the idea of a limit for money; we must reject this Keynesian idea that there is no need for discipline in money. It is true that much damage has already been done and that economic hubris in the political and banking

class still persists. But we can still *exchange* our currencies for real money, gold. Let us do so then, while we advocate for a return to sound money and the restoration of sanity.