

# The Parasitic Nature of the current Monetary System

By [Amanda Morales](#)

Theme: [Global Economy](#)

Global Research, October 18, 2010

18 October 2010

*Even the most educated people, sometimes misled by mainstream media and the so-called “experts”, fail to identify the root cause of the current economic downturn and tend to confuse the symptom (inflation, unemployment, etc.) for the cause. Other inaccurate triggering factors often blamed are inherent human greed, overpopulation, baby boomers, abandonment of the gold standard, fractional reserve banking, fiat currencies, over-consumption and even technology.*

The monetary system has become the global cage of debt-fuelled enslavement we know today through a series of events: invention of usury (lending money at compound interest), establishment of fractional reserve lending, privatisation of the money supply, creation of central banks, abolition of the gold standard and legal enforcement of fiat currencies.

Now around 96% of the money in Western countries comes into existence as debt (credit-money) created by commercial banks in the form of promises to pay (IOUs). The amounts deposited at the bank and lent are mere bookkeeping entries, not backed by any real assets (like gold, for instance). What gives value to this otherwise worthless stack of paper is human labour. Only once we stop to think about it we can start to grasp the deeply fraudulent nature of bank lending: the borrower pledges as a collateral for the loan something he still doesn't possess (i.e. the car that he buys at credit) in exchange for money that the lender doesn't actually have in its reserves.

Let us briefly examine how speculative bubbles are created and the effect they have on the real economy. The low interest rates set by Central Banks spark a credit binge that lures people into debt. Banks create money ex-nihilo (out of nothing) and lend it at interest, inflating credit-fuelled bubbles (dot-com, housing, commercial estate, etc.) that make bankers and other speculators outrageously rich. By definition, we have a bubble when the price of an asset rises beyond what the average income can afford. Let us take the current housing bubble as an example. When the bubble eventually bursts, the asset value plummets with disastrous repercussions on banks balance sheets and households alike: banks repossess houses whose value is rapidly falling and households find themselves in negative equity (the market value of their house is lower than what they are paying the bank for it each month). Since banks have been allowed to become “too big to fail” through mergers and acquisitions, the financial elites instruct their puppet politicians to bail them out, at taxpayer's expenses. Using massive doses of media propaganda and scaremongering, the elites brainwash the masses into believing that the prosperity of banks is vital for social stability and economic prosperity. In other words, widespread chaos will ensue if we allow big banks to go bust. Initially most citizens seem to believe the lie and accept to foot the bill through increased taxes and a mix of cuts and privatisation of public

services (education, welfare, infrastructure, healthcare, etc.).

After securing the bail out, bankers award themselves massive bonuses and attempt to revert to business as usual. But there is a problem: the world has run out of credit-worthy people (the next sucker in the Ponzi scheme). Most individuals and businesses are drowning in debt and the outlook is too bleak to predict any profit. Therefore banks do not lend (credit crunch) and debtors, when they can, pay down their debt balance, draining money from the real economy. A dangerous spiral of money deflation sets in, causing bankruptcies, unemployment, foreclosures, dwindling tax revenues and social unrest. Meanwhile the government deficit sky-rockets, inflating an already enormous public debt and leading to the kind of sovereign debt crisis seen in countries like Greece, Iceland and Ireland, just to name a few.

How did we get here? Let us take a step back and ponder. A monetary system based on usury requires endless growth, as compound interest grows exponentially over time. Under this new light it's easier to see why the establishment is so obsessed with GDP increase, an exponential growth that is simply not viable in a finite planet. There is no escape: if the economy doesn't grow, new debt-money cannot be issued to roll the existing debt liabilities over into the future. Since virtually the entire money supply is created by banks themselves as debt, new money must continually be borrowed into existence just to pay the interest owed to the bankers. By the same token, a zero or negative growth marks the demise of the monetary system that we are witnessing right now.

Ethical considerations about the inherent parasitism of usury would be certainly appropriate at this stage: money holders lend money to those who lack it, who in turn become their slaves. But usury also presents a practical mathematical problem: banks create only the principal but not the interest necessary to pay back their loans. This results in a chronic scarcity of money that affects all the players in the system, as the money to pay back the interest on all the loans does not exist. As a result, we all must compete in a zero-sum game to earn something that simply does not exist. Money is earned by some at the detriment of others who are left without, in what increasingly feels like a cut-throat competition that greatly amplifies social conflict and wealth imbalances.

The constant expansion of the money supply necessary to alleviate a chronic scarcity of money is the chief cause of inflation, a stealthy confiscation of wealth from money holders. The monetary system could be compared to a musical chairs game: as long as the music plays (both money supply and economy expand) there are apparently no losers\*.

The amount of debt-money in the system must continually grow to minimise the risk of a dangerous deflation. We can now understand how all the talks we hear in mainstream media about the need to reduce debt are in fact just misleading doublespeak. Debt is meant to be sustained because the whole system is based upon it. Any reduction of debt (either by repaying it or writing it off) would increase the shortage of money, with catastrophic consequences in a dysfunctional economy like ours.

Despite all the efforts by central bankers to keep the game going, the money supply in many Western economies is currently contracting and millions of people are left standing in the cold.

As debt is repaid, the fake principal gets progressively destroyed and the interest remains

as a profit for the bank. If we consider that on large loans repaid over very long time frames (such as mortgages) the amount of the interest charged can easily exceed the principal, we can start to grasp the colossal proportion of this fraud as well as its intrinsically parasitic nature.

Armed with this knowledge, it becomes clear that the monetary system imposed upon us is bankrupt by design. An interest-based lending system could only work if all the money gained through interest were spent in goods and services (so that the borrower can earn it again), not hoarded or lent again. Hoarding money or lending it to different borrowers at the same time (like banks are doing today) causes shortages of it and eventually leads to mass defaults.

I think that the privatisation of money is the main underlying cause of poverty, economic slavery, underfunded government and an oligarchical ruling class that thwarts every attempt to shake it loose from the reins of power.

\* Actually there is a loser: it is the environment being destroyed by the unsustainable development required by a profit-driven economy.

Amanda Morales is a Venezuelan financial analyst who has lived and worked in Europe for several years. She can be contacted at: [ama.morales@yahoo.com](mailto:ama.morales@yahoo.com)

The original source of this article is Global Research  
Copyright © [Amanda Morales](#), Global Research, 2010

---

**[Comment on Global Research Articles on our Facebook page](#)**

**[Become a Member of Global Research](#)**

Articles by: [Amanda Morales](#)

**Disclaimer:** The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: [publications@globalresearch.ca](mailto:publications@globalresearch.ca)  
[www.globalresearch.ca](http://www.globalresearch.ca) contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: [publications@globalresearch.ca](mailto:publications@globalresearch.ca)