

What is money? An explanation

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As a [follow up to the debates this week](#) on how to disseminate ideas I wrote and recorded this yesterday:

<https://soundcloud.com/user-371490417/what-is-money>

This is the transcript, near enough (as I suspect I changed a word or two when recording):

If people are asked what money is they usually talk about notes and coins.

But when they come to spend money they mostly use a credit card, or go online.

Only 20p in every pound spent in shops is now settled in cash.

In the economy as a whole 97p in every pound spent is electronic.

So money is not cash after all. That's a special case.

Money is actually entries in a computer.

So why do we trust those computer entries? What is it about them that makes us think that they're valuable?

It's not because there is anything like gold to back them up. That system had ended, the whole world over, by 1971.

Since then all money actually represents is the promise written on our banknotes.

The Chief Cashier of the Bank of England says on a banknote that 'I promise to pay the bearer on demand the sum of twenty pounds' or whatever other value the note has.

But what you would find if you turned up at the Bank of England and met the cashier and asked for your £20 was that they'd just give you another £20 note.

So there has to be something else that makes this promise valuable.

And there is. The value in the promise is that it is the government - which has owned the Bank of England since 1946 - that is really making it.

That's important because the government has the ability to make good on the promise it is making.

There is one simple reason for that. It's because many of us, most of the time, are in debt to the government. We owe it tax. And the only thing they'll accept in payment is the money that they happen to make - the pound in your electronic bank account.

So what they're really saying when they 'promise to pay the bearer on demand' is that they'll take the money they create - the pound - in settlement of the debt that they make - your tax bill - using the money in your bank account that just happens to be recorded in pounds.

So what is money?

Money is a promise.

It's a promise to pay.

And the promise to pay that really matters is the one that the government makes.

Which gets its value because we all have to pay tax in some way or other.

And the government promises to take the money it makes - the pound - in payment of that tax.

Which is how they give their promise value.

Which is enough to make all those entries in your electronic bank account have value.

Which is why we call them money.

Thoughts?

Edits?

Rewrites?

I am really interested to hear. If this is to be done I want to do it in a way that works.