Funding the Future

Money

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This is the fourth in a series of essays on the importance of potential in the politics of care and economics of hope. The others are listed at the end of this essay.

As with the other essays, I acknowledge the input of my wife, Jacqueline, into this essay.

Most people think they understand money.

After all, they use it every day.

But ask a simple question.

What is money?

The answers usually sound like this.

“It pays for things.”

“It has value.”

“It’s what we earn.”

Those describe what money does.

They do not explain what it is.

So start somewhere familiar.

Imagine you go to a supermarket.

Your trolley is full.

You reach the checkout.

The cashier scans your shopping.

You tap your bank card.

A few seconds later you walk out with your groceries.

Now ask yourself this.

What actually moved?

The food moved.

You moved.

But did any money move?

No.

No coins travelled.

No banknotes changed hands.

Nothing was physically transferred from your bank to the supermarket.

Instead, one number on one computer became smaller.

Another number on another computer became larger.

That was all.

Money was not transported.

The records changed.

Now think about your bank statement.

It is simply a list of numbers.

When your salary arrives, a number increases.

When you pay your rent, a number decreases.

When your electricity bill is paid, another number changes somewhere else.

Your bank is not moving piles of money around.

It is updating records.

That should make us stop and think.

If money is mostly numbers in accounts, perhaps money is not really a thing at all.

Perhaps it is information.

That idea explains a great deal.

Imagine your bank accidentally adds £1,000 to your account.

You feel richer.

Why?

Not because a lorry has delivered anything.

Not because the economy has produced more goods.

You feel richer because the bank’s records now say you have a larger claim on what the economy produces.

Money is a record of claims.

It tells us who is entitled to command goods and services.

That is why banks spend so much time keeping accurate accounts.

The accounting is the money.

This also explains governments.

When the UK government spends, it does not open a vault and wheel out sacks of pounds.

It instructs the Bank of England to alter accounts.

Commercial banks then alter their customers’ accounts.

The money is created by changing the records.

Tax works in the opposite direction.

It reduces the balances recorded in private bank accounts.

Again, what changes are the records.

The important question, though, is this.

What do those records allow us to do?

They allow us to organise the real economy.

People grow food.

Others teach children.

Others build houses.

Others care for patients.

Others design software.

Money keeps track of who has contributed and who can claim part of what everyone together has produced.

That is why money matters.

But it is also why money is not the economy.

If every bank computer in Britain showed that everyone had twice as much money tomorrow morning, we would not suddenly have twice as many houses.

Or twice as many nurses.

Or twice as much electricity.

The numbers would change.

Reality would not.

The real economy consists of people, knowledge, skills, energy, technology and nature.

Money is the accounting system that helps us organise them.

Once you see that, many political arguments look different.

The real question is rarely whether we have enough money.

The real question is whether we have the people, the resources and the willingness to do what needs to be done.

Money is how we record those choices.

It is not what ultimately limits them.

Other essays in this series

* ***Potential***

* ***Becoming***

* ***Energy, exergy, people, the economy and money***