

My View on ... Money

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This post is part of an ongoing series in which I set out my views on significant issues in economics, political economy, politics, taxation, and accounting. It should be read in that context. It provides an overview of a position that I have developed over many years of writing and analysis, rather than a comprehensive treatment of the subject. In this particular case, my thinking is developing rapidly.

In this particular case, my thinking is developing rapidly. As a consequence, think of this article as the foundation for what might become a series.

If you would like to explore these ideas in more detail, the reading list at the end of this post provides a good place to start. The whole View On series is [available here](#).

Ask most people what money is, and they will reach for their wallet or purse. They will show you a note, some coins, or maybe a bank card, and say that this is money. I understand why. But I now say something that many people find startling when they first hear it. There is no such thing as money.

What I mean is that money has no physical existence of any sort. It is not a thing. Always, and in every way that it has ever been recorded, including as notes and coins, it is a record of a promise, and that is all it has ever been. Money is an IOU, a promise to pay, or a record of debt, but they all amount to the same thing, and there is nothing more mysterious to it than that. That is all it

Understanding this changes how we think about banking, saving, tax and the power of the state. In what follows, I want to explain what money is and why that has always been true, then show what happens to money when the promises it records are settled. Finally, I consider what this means for the claims made about gold, cryptocurrency, savings and the idea that money can earn a return.

There is no such thing as money

I chose the phrase “no such thing” with care, and I intend it to be taken literally. There is no substance, object or material anywhere in the world that is money in itself. Money only exists as a promise to pay, and in any tangible form it has - whether as a note, coin, or as an entry in an accounting ledger in whatever form it is kept - it is a record of those promises.

This matters because almost all our language about money assumes the opposite.

We talk about money being made, stored, spent and lost, as if it were a quantity of something that passes from hand to hand or is piled up in vaults, and we speak of cash flow as if money were a liquid.

None of this is accurate. Nothing flows, and nothing is stored. When I pay you, nothing leaves my possession and arrives in yours. What happens is that a record is changed. A debt that a bank owed to me is reduced, and a debt that a bank owes to you is increased. The accounts are altered, and that is the whole of the transaction. A bit of accounting took place, the world's debts were reorganised, a record of what happened was made, and then we moved on. But nothing physical worth regard to money happened.

That is why I say that money is no thing, and why I think grasping this idea is the most important step anyone can take towards understanding economics. A promise cannot be seen, weighed or held.

What we can see are the records of promises, whether those are entries on a bank statement, numbers in a banking computer, or the notes and coins in our pockets. Those records are not money. They are evidence that a promise to pay has been made, and of who is entitled to have it honoured.

As an accountant, I find this natural. A debt owed in one set of books is matched by an asset recorded in another. Money is no different. If I hold money, someone else owes me, and their books record that obligation. Money exists only as an entry in an accounting ledger that records who owes what to whom. Take away the ledger and the promise, and nothing is left. That is what has to be understood about money.

What a banknote tells us

The evidence is in our pockets. Every Bank of England note carries the words “I promise

to pay the bearer on demand the sum of” whatever its value might be. That is an acknowledgement by the Bank of England, which issues the note on behalf of the government, that the note is an IOU and nothing else. If you took a £20 note to the Bank and asked for your £20, you would be given another £20 note, or the same promise in some other form. The Bank would not give you gold, or any other thing, because it has not promised to do so. It has promised only that it owes you, and that the state will accept its own promise back in settlement of what you owe to it.

The one thing that makes a note different from most other debts is that it is payable to the bearer. It is owed to whoever happens to hold it at the time, which is why it can be handed across a shop counter and the debt the government owes transferred from one person to another in an instant. That convenience is the only special quality a note has. The paper, or now the polymer, has no value in itself. It is a physical record of a debt obligation, and nothing more.

Coins carry no printed promise, but the logic is the same. Nobody accepts a pound coin for the metal it contains. They accept it because it will be accepted by others, and in the end by the state, in settlement of a debt denominated in pounds. Cash is the one form of government promise that we can hold in our hands, and it proves the point rather than contradicting it.

Money has always been a record of debt

It might be argued that money was once a tangible thing, when it was made of gold or silver. I do not think that is true. My suggestion is that money has always been a record of a debt, and that the materials used to represent it were never the money in themselves.

The best evidence for this in English history is the tally stick. For several centuries from the twelfth century onwards, the English Exchequer recorded what was owed to and by the Crown using sticks, usually of hazel. The amount of a debt was recorded by cutting notches of different sizes across the stick, which was then split lengthways so that each half carried the same notches. The creditor kept the longer part, called the stock, and the debtor kept the shorter part, called the foil. When the debt was settled, the two halves were brought together to check that they matched, so neither could be altered without detection.

What the tally stick shows is that money was understood as a record of an obligation between two parties. The stick was worth nothing as wood. Its value lay entirely in the promise it recorded and in the fact that the Crown would accept it back in settlement of what was owed to it. Tallies issued by the Exchequer could be passed on to others, and they were, which meant that a record of the Crown's debt could circulate and be used to settle other debts, as a banknote does now. The system was abandoned in the nineteenth century, and when the accumulated sticks were burned in 1834, the fire that resulted destroyed much of the old Palace of Westminster.

The same is true of gold and silver coinage. A coin was stamped by the sovereign because it was the sovereign's promise to accept it back that gave it its standing. Its metal was a guard against forgery, but the value at which it passed was set by the authority that issued it and that demanded it back in tax.

Under the gold standard, the principle was the same. A note promised to pay a quantity of gold, but gold was only what the promise was denominated in. When that commitment was finally abandoned in 1971, the promise remained and continued to work as money, which tells us which of the two had been doing the work all along.

So, what we have always had, even when metals were used, are physical representations of what were, in effect, ledger entries recording a debt between two parties. The technology of the record has changed, from notched sticks to stamped metal to paper to computers. What has been recorded has not.

Nothing moves when money is used

If the suggestion that nothing moves when money is used is hard to accept in the case of cash, it is harder still in the case of banking, because almost everyone believes that they have money in the bank. They picture a pile of notes with their name on it, sitting in a vault. The reality is that there is no such pile, and there never was.

When you deposit money with a bank, you are not handing over something that the bank keeps for you. You are lending to the bank. The bank records that it owes you the sum in question, and it promises to repay you when you ask. That promise is all that your bank balance is. The bank has not promised to return anything tangible to you. All that the person with a bank account has is a claim upon a bank for the repayment of a debt, and nothing else. Your bank statement, or some figures on the screen of your phone, is all you have.

This is also why banks do not lend out their depositors' money. They cannot, because there is nothing to lend. When a bank makes a loan, it creates two promises at the same moment. The borrower promises to repay the bank, and the bank promises to pay the borrower, which it does by crediting the borrower's account with a new deposit equivalent to the sum borrowed. No existing money is used. New money is created by making entries in two sets of books, and that is where almost all the money in our economy comes from.

Once this is understood, cash flow is also revealed as a metaphor that misleads. When a company pays its suppliers, its bank reduces what it owes to the company, the supplier's bank increases what it owes to the supplier, and the banks settle by adjusting their accounts at the Bank of England. At every stage, what changes is an entry in a ledger. Nothing is in motion, whatever is suggested by the term cash flow.

How money disappears

If money is a record of a debt, then something follows that surprises most people. When the debt is repaid, the money does not go anywhere. It ceases to exist, because the obligation it recorded has been extinguished. Just as the tally stick was burnt to indicate that fact, so is the debt cleared with the ledger being wiped clean, and the money it represented is cancelled.

So, if a bank repays the debt it owes to a depositor, the money that the debt represented has gone. It might be replaced by another obligation, as it would be if the depositor accepted banknotes in repayment, but that is not the point. The original promise has been cancelled.

The same happens when a loan is repaid. The loan a bank provides to a customer creates money when it is made, and its repayment cancels that money. That is what the destruction of money means. It is that the debt, which was the money, has been expunged from the books.

Government money works in the same way. When the government spends, it instructs the Bank of England to make a payment, and the Bank does so by extending what is, in effect, an overdraft to the government. New money is created as a result. It then circulates and returns to the government when we pay our taxes. At that point the government's promise to accept its own money in settlement of what we owe is honoured, and the money is cancelled.

Tax does not, then, fund government spending. It could not do so, because the money used to pay tax must first have been created by the government's spending. What tax does is cancel that money that the government created through its spending, so that it does not build up in the economy and cause inflation, and in doing so it also shapes the distribution of income and wealth.

There is a third possibility, which is that money is neither spent nor cancelled but put into abeyance. This is what happens when people deposit funds with the government in the form of bonds, which in the UK are called gilts, or in National Savings and Investments accounts. The money is not destroyed, because the government has promised to repay it, but it is taken out of use for the period of the deposit. What people call the national debt is in large part nothing more than these government savings accounts. The government does not need them to fund anything. It offers them because people want somewhere safe to save, and because locking money away has an effect similar to taxation in managing inflation by reducing spending on consumption or investment.

What unites all these cases is that money comes into existence when a promise is made and ceases to exist when that promise is settled. There is no fixed stock of money being passed around, only a changing set of obligations, created and cancelled every second of every day.

Only a promise from the state will do

If money is a promise to pay, then two things are needed for anything to be money. There must be a record of the obligation, and there must be an agency that has backed the entry with a promise to pay. Without the second, there is no money, however carefully the first is kept.

This is why I say that gold, silver, cryptocurrency and other assets cannot be money. Gold is a metal. It may be scarce and highly priced, but nobody owes anything to the person who owns it. It is not anyone's liability. The same is true of silver, property and every other so-called store of value. They can be bought and sold for money, but no one has promised to pay anything in respect of them.

Cryptocurrency makes the same point in a newer form. Bitcoin has a ledger, in the form of its blockchain, and that ledger records who controls particular amounts of it. But having a ledger is not the same as having a double-entry accounting system. If someone owns Bitcoin and records it as an asset, the obvious question is whose liability it is, and the answer is that it is no one's. No one has promised to pay the holder anything. There is no debtor. There is only an asset whose price is decided by what someone else might be willing to pay for it, and Bitcoin mining is then a process that fuels speculation, and not money creation.

The question that follows is whose promise is good enough to be money. Anyone can make a promise to pay, but almost no such promises are accepted by others in settlement of their own debts. The one promise that is universally accepted is the promise of the state, because the state is the one issuer with whom everyone must deal. Everyone owes it tax, and it accepts only its own currency in payment. That is what gives a currency its value.

Northern Rock failed in the UK in 2007 after the first run on a British bank for well over a century. That run ended only when the government said that it would guarantee what the bank owed. People accepted that assurance and the panic was over. That told us where the only real promise with the power to be believed is in the UK economy. In the end the only thing that can be money is a promise issued by a government, or one that a government has in effect agreed to underwrite.

Money cannot earn a return

There is one further consequence of this argument that I think is widely misunderstood, and it may matter more for public policy than any other. If money is nothing more than a record of a promise, it cannot earn a return. A promise does not grow. A ledger entry does not produce anything. Money can facilitate activity that creates value, but it cannot create that value itself.

What earns a return is activity. People growing food, educating children, caring for

others and building homes create the things that we need. Money keeps track of who has contributed to that activity and who has a claim on what has been produced. That is why money matters, and it is also why money is not the economy. If every bank balance in Britain doubled overnight, we would not have twice as many houses or nurses.

This has direct consequences for how we think about saving. When people put money into a bank deposit account, they have done nothing more than move a claim on a bank from one account to another. They have not funded any investment, because the bank did not need their deposit in order to lend. When they buy shares or property, they almost always buy them second-hand, so nothing new is financed. None of this creates productive capacity, which is why I describe most savings as dead money. People have good reasons to save, but for the economy as a whole most savings take money out of use and create no new wealth.

The interest paid on those savings is not something that the money has earned. It is a payment made by someone else, whether a bank, a borrower or the government, out of income that real activity has to generate. We confuse that reward with a return generated by the money itself and then subsidise saving through ISAs and pension tax relief at enormous cost as if these things add value to the economy when it is questionable whether they ever do, because very few savings ever fund investment in the real economy.

In that case, if we want savings to support productive investment, we have to direct them to that purpose, for example through the dedicated National Savings and Investments accounts that I have proposed that might be used to fund investment activity in the real economy, whether through state or private sector activity. Money will not do that work on its own.

The distinction between money and the activity it facilitates is therefore not abstract. It is the difference between thinking that wealth is a pile of something to be accumulated and understanding that wealth is the capacity of a society to do useful things.

Answering those who think money must be something

I know that these suggestions about money are difficult for many people to accept. They ask them to let go of ideas about money that they have held since childhood. There are serious objections to my suggestions, and they deserve an answer.

The first is that if money is nothing, it is hard to see why it should have value at all, or why people would work to obtain it.

This suggestion implies that if money is only a promise, it is a confidence trick that could collapse the moment people stop believing in it, and hyperinflation is cited as proof, with gold offered as the solid alternative.

I take this objection seriously, but it misunderstands where the value of money comes from. A promise is not nothing. It is an obligation, and the value of an obligation depends on the capacity and willingness of whoever made it to honour it. The value of the state's promise rests on its power to tax and on the productive capacity of the economy that it governs.

People need pounds because they owe tax in pounds, and that demand does not depend on faith in the abstract. The hyperinflations that critics point to did not happen because money was a promise. They happened when the capacity behind the promise collapsed, whether through war, the loss of productive capacity, or because of foreign debts owed in a currency that the state could not issue.

Gold offers no protection from such events. When the gold standard was in operation, its rigidity turned downturns into depressions, as was seen in the 1930s, which is why every country eventually abandoned it. The weakness of a promise lies in the weakness of whoever makes it, and the answer to that is a well-governed economy, not a return to a metal.

The second objection is that my argument proves too much. If only a government's promise can be money, what of the money created by commercial banks, which makes up the great majority of the money we use? Surely, the critic says, bank deposits are money, and they are promises made by private companies, not by the state.

This is a fair point. But commercial bank deposits only function in the way that they do because of their relationship with the state's money. In effect, and few people think about this, every bank promises to convert its deposits into state money on demand at a fixed rate. That is the basis of their promise to repay what they owe you.

Payments between banks themselves are settled in accounts held at the Bank of England, which are themselves promises of the state.

Deposits are also protected by a guarantee scheme that the state has created, and when banks failed in 2008 it was the state that stood behind them. Bank money is then a promise, but it is one that the state has in effect agreed to underwrite.

Take that state underwriting away and a bank deposit is only as good as the bank that owes it, which is exactly what depositors discovered in the bank runs that took place before deposit protection existed.

As a consequence, commercial banks are, in effect, licensed by the state to create money on its terms, and they are regulated because of it. So far from contradicting my argument, the way in which bank money operates confirms it.

The third objection comes from those who hold gold or cryptocurrency. They point out that these things are traded and accepted in exchange for goods and have held their

value when some currencies have lost theirs. If something is used to pay for things, they say, it is money.

My answer is that being traded is not the same as being money. Houses and paintings are traded too, but no one thinks that they are money. What distinguishes money is that it is someone's liability, and that it is the unit in which debts, including tax, are measured and settled.

Gold and Bitcoin are priced in money. Their value is expressed in pounds or dollars, and it rises and falls according to what others are willing to pay. That is the behaviour of an asset, and a speculative one at that.

When the price of Bitcoin falls, no one is in default, and no promise has been broken, because none was ever made. When a bank fails to honour a deposit, by contrast, a debtor has failed to pay, and the law, the courts and ultimately the state become involved.

That difference is the difference between an asset and money. No government that issues its own currency asks for them in settlement of tax. They are not money, and treating them as if they were confuses a claim on an uncertain price with a promise to pay.

Conclusions

There is no such thing as money. There is no substance, metal, paper or digital token that is money in itself, and there never has been. Money is a promise to pay, recorded in a ledger, and it exists only for as long as that promise remains outstanding. Banknotes say so on their face. Tally sticks said so in their notches. Bank statements say so now, in every line.

This is not a matter of words. Nothing flows when we pay one another, and no one has a pile of money in the bank. What they have is a claim on a bank, and when that debt is repaid, the money it represented disappears. Money created by bank lending is cancelled by loan repayment. Money created by government spending is cancelled by tax. Money deposited in gilts or with National Savings and Investments is put into abeyance until the government repays it.

It follows that only a promise backed by an agency able to honour it can be money, and the only promise that meets that test is one issued or underwritten by a government. Gold, silver and cryptocurrency are assets. No one owes anything to those who hold them. They are not money, and they never can be.

It also follows that money cannot earn a return. Only people, working with the resources that we have, can create value. Money records and facilitates that activity, and the two must never be confused. Much of our politics, from the claim that

government must raise money before it can spend to the belief that savings fund investment, rests on that confusion.

Letting go of the idea that money is a thing is hard. But until we do, we will keep asking the wrong question, which is where the money is to come from, when the question that matters is what we can do with the people, skills and resources that we have. Money is nothing. What we do together is everything, and our economic thinking should start from there.

Reading list

Post

Date

What it covers

[What critics get wrong about MMT](#)

22 September 2026

Explains that a currency-issuing government creates money when it spends, that tax and borrowing do not provide the pounds it needs, and that the real limits are resources, not money.

[Bitcoin has an accounting problem which suggests it isn't money](#)

16 September 2026

My most recent statement that money is a double-entry credit relationship, showing that Bitcoin is no one's liability and so has no debtor, which is why it is not money.

[Creating money does not, by itself, cause inflation](#)

26 August 2026

Addresses the claim that money creation must be inflationary, and why the effect of new money depends on the real resources it mobilises.

[Your savings are being wasted](#)

6 July 2026

Argues that ISA and pension savings rarely fund new investment and proposes safe National Savings and Investments products to direct saving to productive use.

[Money](#)

30 June 2026

Explains that money keeps track of who has contributed to what society produces and who can claim part of it, and why money is therefore not the economy.

[Why the UK spends £80 billion a year subsidising dead money](#)

30 March 2026

Sets out why bank deposits and second-hand shares fund neither wages nor investment, and why banks create money when they lend rather than lending deposits.

[The national debt is not what you think](#)

22 March 2026

Explains the national debt through double-entry accounting, including what happens to pounds when government savings are cashed in.

[What's the biggest secret about money?](#)

27 February 2026

Central source for the argument that money is not an object but a promise to pay, that promises cannot be seen, and that notes and statements only record them.

[Where does the money go when the government spends — and when it taxes?](#)

30 October 2025

Explains that taxation reverses the money creation that government spending brings about, destroying the money that was created.

[Savings are dead money](#)

22 July 2025

Explains why money put into savings is taken out of use and does not in itself fund growth, wages or investment.

[What would a return to the gold standard really mean?](#)

18 July 2025

Explains how the gold standard tied money to a metal and why returning to it would be an economic fantasy with harmful consequences.

[MMT: Magic, myth or reality?](#)

22 June 2025

Describes fiat money as a government promise to pay, and notes that money exists only as a double entry that ceases to exist when the debt is repaid.

[Crypto is not money](#)

18 June 2025

Argues that cryptocurrency is speculation, not money, because it lacks the characteristics that make state money work.

[You've got no money in the bank](#)

13 June 2025

Uses the promise printed on a £20 note to show that all money is debt, and that a bank balance is not a pile of notes but a claim on the bank.

[Government debt need never be repaid](#)

6 April 2025

Links the promise to pay the bearer on a banknote to the nature of government debt and explains why repaying it would be harmful.

[What is the obsession with gold?](#)

15 September 2024

Answers the claim that gold is the only real money and explains why an obsession with gold misreads how the modern economy works.

There is no such thing as taxpayers' money

1 August 2024

Explains that government spending creates money and that tax cancels it, in the same way that loan repayment destroys bank created money.

You have no money in the bank

27 July 2024

Early statement that there is no such thing as money in the world today, only debts that we move between us.

What is money?

11 May 2023

Defines money as entries in an accounting ledger recording who owes what to whom, and argues this is key to understanding the modern economy.

Money creation

14 March 2023

Glossary entry explaining that tax destroys government-created money and that government bonds lock money away from use in the economy.